Royal Commission
on Municipal Government
in Newfoundland
and Labrador

ROYAL COMMISSION ON MUNICIPAL GOVERNMENT IN NEWFOUNDLAND AND LABRADOR

P O BOX 5317
ST JOHN S NEWFOUNDLAND
PHONE 722-8867

September 18, 1974
St. John's, Newfoundland

To His Honour,
The Lieutenant-Governor in Council,
St. John's, Newfoundland.

May it please Your Honour:

We, the Commissioners of the Royal Commission on Municipal Government in Newfoundland and Labrador, appointed by Order-in-Council 803-72, under Section 2 of *The Public Inquiries Act*, dated the 23rd day of August, 1972, take pleasure in submitting the following report.

H. G. Harnett, Commissioner

T M Hopkins
T. M. Hopkins, Commissioner

C. W. Powell, Commissioner

Hugh Whalen
H. J. Whalen, Chairman

ELIZABETH THE SECOND, by the
Grace of God of the United Kingdom, Canada and Her Other
Realms and Territories **QUEEN,**
Head of the Commonwealth,
Defender of the Faith.

Lieutenant-Governor

Minister of Justice.

COMMISSION

TO:

Hugh J. Whalen, Esquire, B.A., M.A.,
Clarence W. Powell, Esquire, B.Sc.,
Hubert G. Harnett, Esquire, C.A.,
and
Thomas M. Hopkins, Esquire

GREETING:

WHEREAS it appears desirable and expedient that an enquiry should be held into all matters pertaining to the structure of local government throughout the Province;

NOW KNOW YE that, under and by virtue of The Public Enquiries Act, chapter 24 of The Revised Statutes of Newfoundland, 1952, as amended, We, by and with the advice of Our Executive Council of Our Province of Newfoundland, reposing great trust and confidence in your knowledge, integrity and ability, have constituted and appointed and by these presents do constitute and appoint you, the said Hugh J. Whalen, Clarence W. Powell, Hubert G. Harnett and Thomas M. Hopkins to be a Commission to enquire into and concerning the matters following and to make such recommendations with regard to any or all of these matters, and any other matters connected therewith, as you may think fit, that is to say

(i) the legislation presently in effect relating to local government, the policies of financial assistance to municipalities by the Province and the taxation and regulatory powers and the rights and obligations of local government generally;

(ii) the improvement of the structure and administration of local government throughout the Province giving due consideration to the possibility of establishing regional or other forms of local government;

(iii) the establishment of criteria and procedures for the creation of new municipalities;

(iv) the sources of revenue available to municipalities with particular reference to taxation and the application of taxation powers;

(v) the levels of services that should be provided in municipalities of varying populations correlated as far as possible with the population, economic base and the capacity of the residents to meet the cost of such services; and

(vi) the establishment of adequate financial controls over municipal expenditures, including capital expenditures requiring long term financing, with a view to improving the financial position of municipalities;

AND WE DO appoint you, the said Hugh J. Whalen, to be Chairman of the said Commission;

AND WE DO by these presents confer upon you, the said Commission, the power of summoning before you any party or parties, witness or witnesses, and of requiring him, her or them to give evidence orally or in writing upon oath or upon solemn affirmation, and to produce such documents and things as you, the said Commission, may deem requisite to the full investigation of the matters into which you are appointed to enquire;

AND WE DO by these presents authorize you, the said Commission, to adopt such procedures and methods as you, the said Commission, may from time to time deem expedient for the proper conduct of the Enquiry and to sit at such times and in such places in Newfoundland as you, the said Commission, may from time to time decide;

AND FURTHER, We require you, with as little delay as possible, to report to us your findings upon the matters herein submitted for your consideration.

IN TESTIMONY WHEREOF We have caused these Our Letters to be made Patent and the Great Seal of Newfoundland to be hereunto affixed.

WITNESS: Our trusty and well-beloved the Honourable E. John A. Harnum, Lieutenant-Governor in Our Province of Newfoundland. **AT OUR GOVERNMENT HOUSE** in Our City of St. John's this 23rd day of August, in the year of Our Lord one thousand nine hundred and seventy-two and in the twenty-first year of Our Reign.

BY COMMAND,

Minister of Provincial Affairs.

Acknowledgements

In pursuit of its objectives, the Commission received much valuable assistance from numerous individuals and organizations. Specific acknowledgements of this help are made at appropriate points in the following report. The Commission particularly appreciated, however, the unfailing co-operation provided by the following officials of the Department of Municipal Affairs and Housing:

Mr. C. W. Keeping, Deputy Minister
Mr. H. U. Rowe, former Deputy Minister and Special Advisor to the Minister
Mr. P. G. Withers, Assistant Deputy Minister, Local Government Affairs
*Mr. C. Karasek, Assistant Deputy Minister, Technical Services
Mr. R. E. Corbett, Director of Local Government Affairs
Mr. J. J. Healey, Director of Assessment
Mr. S. G. Dike, Director of Engineering
Mr. D. J. Ryan, Director of Development and Control
Mr. J. T. Allston, Director of Urban and Rural Planning
Mr. A. W. Brown, Assistant Director, Local Government Affairs
Mr. D B. Hurd, Planning Officer

Others who assisted in the inquiry include the following provincial officials:

Mr. D. W. Mercer, Executive Director, Planning and Priorities Secretariat
Mr. V. P. McCarthy, Deputy Minister of Justice
Mr. G. R. Courage, Provincial Statistician
Mr. M. Riggs, Department of Education
Mr. A. C. McEwen, Crown Lands and Surveys, Department of Agriculture and Forestry
Chief Superintendent K. B. M. Fraser, Royal Canadian Mounted Police
Miss N. J. Richards, Provincial Librarian

*Mr. Karasek has since left the Department of Municipal Affairs.

The Commission much appreciated the assistance supplied by individuals from other provinces who provided valuable reports and rendered help in numerous ways. It wishes specifically to acknowledge the contributions of Dr. Guy Henson, Director of the Institute of Public Affairs, Dalhousie University; Mr. Romeo LeBlanc, Executive Director of the Council of Maritime Premiers; Mr. E. C. Allen, Deputy Minister of Municipal Affairs, New Brunswick; Mr. E. Cronk, Director of Assessment, New Brunswick; Mr. Hugh McGlashen, Director of Assessment, Nova Scotia; Dr. Stuart Fyfe, Institute of Local Government, Queen's University; and Dr. John Graham, Professor of Economics, Dalhousie University. Information supplied by officials of the Governments of Québec, Ontario, Alberta and British Columbia was also extremely valuable.

Among the organizations that interested themselves in its work, the Commission wishes particularly to thank the Newfoundland and Labrador Federation of Municipalities, the Newfoundland and Labrador Federation of Labour, the Newfoundland and Labrador Association of Municipal Administrators, the Association of Professional Engineers of Newfoundland, and the

Newfoundland and Labrador Parks and Recreation Association.

Professional tasks of central importance for the inquiry were performed on the Commission's behalf by Professor Mark Graesser, Department of Political Science, Memorial University; Mr. Kell Antoft, Assistant Director, Institute of Public Affairs, Dalhousie University; and Professor Michael Wallack, Department of Political Science, Memorial University. We acknowledge these valuable contributions.

Among the members of the Commission's staff, a particular appreciation is extended to Miss Judy Roberts and Ms. Donna Morgan. Miss Roberts served as Executive Secretary from September, 1972, through March, 1974, where upon this duty was assumed by Ms. Morgan. In addition to her work as the Commission's principal administrative officer, Miss Roberts assumed the task of analysing all submissions and proposals received. In August, 1974, she returned to the staff and performed invaluable services as editorial consultant. Early in 1973, Ms. Morgan assumed primary responsibility for financial and institutional research. In this capacity she executed a number of assignments. The work of the Commission was facilitated in countless ways by the efforts of these talented and dedicated staff members. Excellent secretarial assistance was always available to the Commission, and greatly facilitated the work of both the staff and some of the research consultants.

In an inquiry of this scope and complexity, the Commission's objectives could not have been achieved without the active encouragement and support of the Government of Newfoundland and Labrador. We received the needed co-operation in full measure and wish particularly to thank the Hon. Harold Collins, the Hon. Val Earle, and the Hon. T. Alex Hickman for their positive responses to our numerous requests.

During its deliberations, the Commission held upwards of 65 formal meetings. Twenty-four of these meetings were convened in various centres across the Province. In all, 56 municipal briefs were received, and the representatives of 84 municipalities attended the public hearings: 2 cities, 46 towns, 17 local government communities, 16 local improvement districts, and 3 rural districts. Additional submissions were received from interested citizens, companies, and associations. The following list indicates the locations of public hearings and the heads of the local delegations in attendance.

Baie Verte: Mayor G. R. Vincent
Pacquet: H. Norman, Vice-Chairman
Coachman's Cove: C. Downey

Corner Brook: Mayor N. Murphy
Mrs. K. Penney
Mr. R. A. Pollett
Mr. A. Brewer
Mr. J. L. Barron
York Harbour: H. Snooks, Chairman
Massey Drive: R. Stratton
Great Humber Joint Council: C. L. Sheppard

Labrador City: Mr. W. A. Campbell, Chairman
Mr. F. Robertson
The Aurora: Mr. C. Devine
Integrated School Board: Mr. Martin
Mr. W. Figere
Wabush: Mr. N. R. Genge, Town Manager

Happy Valley: Mayor H. Brett
Mr. & Mrs. H. Shouse
Rev. C. N. Deharveng
Northwest River: R. Cooper
Makkovik (Brief Submitted to Commission)

Gander: Mayor R. Cooper
Mr. Dawe
Mr. Hillman
Glovertown: Mayor C. Ackerman
Eastport: Mr. C. Bull, Chairman
Glenwood: Mayor S. Steele
Carmanville: Mr. F. Collins, Chairman
Eastport Peninsula Progress Committee: Mr. Squire

Lewisporte: Mayor E. Roebotham
Lewisporte Area Development Association: O. Currie
Embree: Mayor H. Anstey
Leading Tickles West: Mr. L. Rowsell, Vice-Chairman

Grand Falls: Mayor W. Tucker
Botwood: M. Diamond, Deputy Mayor
Bishop's Falls: Mayor J. Dominic
Windsor: Mayor L. McCarthy, Jr.
Northern Arm: F. Manuel, Chairman

Springdale: Dr. Evans, Deputy Mayor
Mr. F. Hewlett
Seal Cove: Mrs. L. Miller, Clerk
Deer Lake: Mayor W. House
Robert's Arm: L. Colbourne
Green Bay Economic Development Association: M. Budgell

Trepassey: F. Curtis, Deputy Mayor
St. Shotts: Mr. Molloy, Secretary
Renews: Mr. Pittman, Chairman
Portugal Cove South: T. Ward, Chairman

Placentia: Mayor L. Miller
Branch: R. J. Nash, Chairman
Jerseyside: Mayor Pittman
Freshwater: G. Hickey, Deputy Mayor
Dunville: Mayor W. P. Hogan
Placentia Area Development Association: J. Whalen

Harbour Grace: Mayor L. McNamara
Mr. G. Sweetapple
Mr. F. Morris, Councillor
Tilton: Mr. Adams, Chairman
Mr. & Mrs. M. Smith
Carbonear: Mayor G. Earle
Mrs. F. Moores
Spaniard's Bay: Mr. L. Brasil, Town Clerk
Harbour Grace Development Association: J. Hunt

Bonavista: Mayor F. Little
Elliston: Mayor R. Hobbs
Port Union: Mayor A. Norman
Duntara, B.B.: Mr. W. McLaughlin, Chairman
Port Rexton, T.B.: Mr. R. Ivany, Chairman
Melrose, T.B.: Mr. P. Donovan, Chairman

Wesleyville: Mayor R. Parsons
Newtown, B.B.: Mr. G. Tulk, Town Clerk-Manager
Badger's Quay, Valleyfield,
Pool's Island: Mayor R. Spurrell
Musgrave Harbour: Mr. R. W. Abbott, Town Clerk
Lumsden: Councillor Manning

Twillingate: Mayor J. Manuel
Durrell, N.D.B.: Mayor R. B. Smith
Crow Head: Mr. J. Hamlyn, Chairman

Clarenville: Mr. F. Bittner
Trinity, T.B.: Mr. S. R. Morris, Chairman
Shoal Harbour: Mayor Butler

Fortune: Mayor T. Matthews
Marystown, P.B.: Mayor L. Hudson
Winterland, P.B.: Mr. White, Secretary
Lawn: Mayor J. Edwards
Burin: Mayor D. Hollett
Grand Bank: Mayor F. Tessier

St. Anthony: Mayor R. Squires

Port-aux-Choix: Mr. R. O'Keefe, Chairman
Port Saunders: Mayor W. Biggin
Parson's Pond: H. Payne, Chairman
Brig Bay Development Association: Messrs. Kean and Chambers

Stephenville: Mayor J. Fowlow

Port-aux-Basques: Mayor T. J. Hardy
Rose Blanche: Mr. A. Best, Chairman

St. John's: Mayor W. Adams
St. John's Metropolitan Area Board: J. Major
Wedgewood Park: A. Brennan
Conception Bay South: Chairman R. Fagan
Mount Pearl: Councillor F. Bannister
Paradise: Chairman E. Sharpe
Miss Murphy
Mr. Ryan
Mr. T. Conway
Newfoundland Light & Power Company: Mr. D. Templeton
Association of Municipal Administrators: Mr. P. Barnes
Shea Heights: Mr. E. Harlick

Fogo: Mayor G. Oake
Joe Batt's Arm-Barr'd Islands: Mayor G. Decker
Seldom - Little Seldom: Mayor N. Vincent

Burgeo: Deputy Mayor S. Trope
Ramea: Mayor H. J. Reid

St. Alban's: Mayor B. Collier
Milton-Head Bay d'Espoir: Town Clerk C. Sutton
Conne River: Mayor F. Organ

To the many persons in Newfoundland and Labrador who assisted with its work in any manner, the Commission expresses its deepest gratitude.

For their generosity or assistance beyond the call of civic duty, the Commission is indebted to Mr. and Mrs. William Anthony (Seldom Come By), Mr. and Mrs. Walter Elliott (Crow Head), Mayor Jean Fowlow (Stephenville), Mayor L. McNamara (Harbour Grace), Dr. Harry Mews (St. John's), Mr. A. B. Perlin (St. John's), Mayor E. Roebotham and the Councillors (Lewisporte), and Mayor W. Tucker (Grand Falls).

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The following appendices have been submitted as supplementary documents to the Commission's Report:

- **D. Real Property Assessment in Newfoundland**
- **E. Real Property Tax Relief Programmes in Canadian Provinces**
- **F. Aggregate Results of 1973 Citizen Attitude Survey**
- **G. Recommendations of the Royal Commission on Taxation and Revenue of the City of St. John's, 1972**
- **H. Statutes of British Columbia, Chapter 28 (Division 2, Regional Districts)**
- **I. St. John's Representations on Matters of Special Interest**
- **J. Provisions for Mandatory Assessment: *Assessment Act* (Nova Scotia, 1967); *Assessment Act*, as amended, (New Brunswick, 1966); and *Assessment Act* (Ontario, 1970). Excerpts indicating real property liable for taxation and tax exemptions**
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Summary of Primary Conclusions and Recommendations

1. Principal Achievements in Local Self-Government

1. St. John's was incorporated as a town in 1888 and as a city in 1921. The community of Grand Falls Station, adjacent to the then unincorporated company townsite of Grand Falls, was established formally as the town of Windsor in 1942. Later in the same year, the town of Corner Brook West was incorporated. In 1943 the community of Grand Bank was established as a municipal corporation. Thus began Newfoundland's experience with local self-government. Except in the case of St. John's, that experience has been of comparatively short duration.

2. By 1949, some twenty local authorities were in operation. Three years later, in 1952, 105,000 persons in the Province lived within incorporated boundaries. That number has now reached 420,000 and includes more than three-quarters of the entire provincial population.

3. Only seven communities with inhabitants in excess of 1,000 remain unincorporated, while seventeen with populations between 600-999 are unorganized for municipal purposes. The total population now residing in 522 unincorporated places amounts to 105,000. The average size of these communities is 190 persons. Some 127 communities, containing 9,260 inhabitants, were abandoned between 1966 and 1971. The average size of these places was 73 persons.

4. Approximately 290 municipalities now exist as corporate bodies. Based upon estimates made in 1973, and using 1966 and 1971 census population information, Newfoundland's municipalities possess the following demographic characteristics:

Type of Municipality	Number (1973)	Population (1971)	%	Population Growing Number (1973)	%	Population Declining Number (1973)	%
Cities	2	114,411	27	1	50	1	50
Towns	93	191,211	46	70	75	23	25
Local Improvement Districts	49	52,666	13	34	70	15	30
Rural Districts	8	8,875	2	5	63	3	37
Local Government Communities	119	50,051	12	77	65	42	35
TOTAL	271	417,214	100	187	69	84	31

5. It is of particular interest that nearly 70 per cent of all incorporated communities experienced some degree of population growth between 1966 and 1971. Increases in population were most pronounced among towns and local improvement districts. Even among the smaller local government communities, however, growth patterns are apparent in 65 per cent of the cases. From these comparisons it becomes clear that: (1) most of Newfoundland's municipalities have recently experienced some measure of population growth; (2) this growth is most apparent among town units; and (3) among the unincorporated communities, more than half have recently ex-

perienced some growth of population. (The City of Corner Brook, however, lost a few hundred residents between 1966 and 1971.)

6. Our general conclusion is that for every municipality declining in population, more than two are experiencing some population increase. It is also evident that the incorporation of all communities above 1,000 is now virtually complete, and that the remaining one-fifth of the population currently found in unorganized communities is distributed in more than 500 very small places. Despite the impact of the resettlement programme, relatively few people in fact have been affected by community abandonment.

7. British Columbia has a population four times larger than Newfoundland, but has barely one-half the number of local authorities currently found in this Province. Moreover, Newfoundland now has a greater number of municipalities than Nova Scotia, New Brunswick and Manitoba. But its municipal system consists overwhelmingly of smaller sized units. About one-third of the towns, three-quarters of the local improvement districts, and all but one of the local government communities, have fewer than 1,000 inhabitants. Only six towns in the Province have populations in excess of 7,000. Finally, more than half of Newfoundland's local governments have had a corporate existence of eight years or less. Since 1966, indeed, the number of incorporated units has more than doubled.

8. These primary realities of municipal size and age are of key significance for any appreciation of the unique structure and operation of the Province's local government system. They contribute some important strengths. But equally, they produce many notable weaknesses.

9. When it is viewed in the long historical perspective, this rapid and widely distributed growth of local government will surely stand as a considerable achievement. Perhaps the most positive result of Newfoundland's relatively short municipal experience has been the concrete experience gained by thousands of its citizens in the difficult art of local self-government. That experience, it must be emphasized, has often been obtained under relatively inhospitable conditions, due to limitations inherent in the small size of most municipal populations, popular unfamiliarity with local government forms and processes, community isolation, the absence of adequately trained local administrative staffs, and the ever-present shortage of financial resources — a condition common to all types and sizes of municipalities, in all locations, faced with all varieties and vagaries of economic circumstance. To a greater degree than in any other Canadian province, municipal activity in Newfoundland must be undertaken in conditions of severe stringency.

10. Do the citizens of Newfoundland now believe that local government is a necessary element in the proper functioning of their communities? On the basis of its study of the attitudes of 1,320 Newfoundlanders conducted during 1973, the Commission has concluded that, questions of practical and financial feasibility aside, popular opinion across the Province has come overwhelmingly to view municipal government, in some form or other, as a necessary concomitant of community well-being and progress. Our province-wide sampling of mass attitudes has shown that while many citizens are often critical of the performance of individual councils and of particular

local leaders, the vast majority of them see in local government institutions the instruments most likely to make possible the realization of essential community purposes. The very positive attitudes that emerged from the survey were by no means confined to persons living within incorporated communities. The following question was put to 192 individuals residing within unincorporated communities during 1973:

> *"Do you personally think that it would be a good idea for this town to have some sort of local government, such as an elected town council, or is it a bad idea?" (Q. 35)*

Good Idea	*77%*
Depends	*3*
Bad Idea	*20*
	100%

Nearly eight in ten of the 177 responses to this question favoured incorporation.

Most persons gave as their reason the belief that, through having a local council, they might obtain services and facilities available in adjacent incorporated communities, secure recognition and material help from government, and provide the needed local regulations and community management functions. Of the 20 per cent who opposed incorporation, most gave as their reason the fact that the place was too small for incorporated status. A surprisingly small number in this particular sub-sample opposed incorporation on the ground that it would require undesirable taxation.

11. Another question relating to the matter of incorporation was asked of *all* persons who were interviewed:

> *". . . Do you think it would be best if every place in Newfoundland was included in some kind of local government, or is it better to leave some places without ?" (Q. 51)*

Every place included	*78%*
Depends	*6*
Some places without	*16*
	100%

It is evident that, among the 1,161 responses to this question, most favoured universal incorporation by a majority of four to one. This view appears to be widely held, notwithstanding the reservations some citizens undoubtedly have concerning either the feasibility of incorporating a larger number of very small communities, or the degree to which local councils have in practice fulfilled expectations generally.

12. A second dimension of achievement in Newfoundland's short municipal experience deserves brief notice. Since 1965 there has been a considerable success in developing improved levels and standards of municipal service in many incorporated communities of the Province. These achievements have been due in large measure to the combined efforts of the federal and provincial governments. They have enabled a growing number of local authorities to deliver basic water utility and other essential services to their citizens; they have made possible the numerous road and street paving programmes, basic municipal equipment purchases, and recreation facility de-

velopments which have been undertaken in recent years, particularly in the medium and smaller sized municipalities. In the larger centres, there has been a considerable "infrastructure" activity in urban re-development schemes, housing programmes, land assembly and industrial parks, primary utility extensions, and road construction. Many of Newfoundland's towns, as a consequence, have only recently achieved primary municipal service levels that have been commonplace throughout much of Canada for more than half a century.

13. The Commission estimates that the completion of these basic utility developments will in future years require a volume of public capital investment not substantially greater than three times the size of the Province's present annual capital budget of $140 million. There is thus some prospect that within, say, two decades these primary municipal services will be available to most communities of any appreciable size and density.

2. Principal Deficiencies in Local Self-Government

14. While the Commission wishes to acknowledge — indeed, to emphasize — the importance of these achievements, it does not by any means intend to suggest that the practice of local self-government in Newfoundland is at present in a healthy and adaptive condition. Such is not the case. It is all too evident that the substantial achievements noted above possess the defects of their merits. The very rapid growth of local government, itself a matter of prime civic importance, has clearly been purchased at a considerable price.

(a) *Public Attitudes and Behaviour*

15. It is the Commission's view that any satisfactory practice of local democracy must include much more than the mere legal fact of incorporation, the election of local officials, the operation of councils, and the provision of adequate municipal service levels. There is required as well, in our judgment, a learning process out of which should emerge a general desire in incorporated communities for a *bona fide* decentralization of *power* in respect of matters relating to local concerns and purposes. Mature local governments display a strong tendency to be self-reliant and independent in the exercise of their delegated statutory powers. And one of the essential *prerequisites* of municipal power, self-reliance and independence is the willingness and the capacity to assume substantial local financial obligations.

16. The results of our studies show that Newfoundlanders have a strongly positive identification with their communities, their leaders and councils, and equally strong perceptions of their local interests. Verbal acceptance of and support for local institutions, however, is one thing; actual behaviour in the local political context is often quite another. We have good reason to believe that, while some degree of transfer has taken place (particularly among leaders and citizens in the older municipalities), these strong local values have not yet attached themselves fully to the newer municipal institutions and the process of local taxation as the most effective instruments of practical decentralization. For many, it is still the Province rather than the municipality that is seen as the source of benefits and the locus of power in municipal affairs. Local leaders often perceive their essential

role to be one of obtaining benefits for their citizens from the Province — benefits whose costs will not be primarily assumed through local tax impositions. These attitudes, we emphasize, are by no means confined to leaders in the low-income municipalities. (The Commission even heard one extreme view, to the effect that local citizens ought to have the *right* of appeal from the *decisions* of the council to the Minister!)

17. These fundamental issues which relate to the legitimacy of local government institutions, the willingness and ability of local citizens to assume financial obligations for purely *local* services, and the response of the Province to different kinds and intensities of community needs, generate questions of extraordinary complexity. They constitute the subject of inquiry in at least three chapters of the following report. So far as we have been able to understand the prevailing situation, there appears to be a good deal of ambivalence in relation to these basic issues among local leaders and citizens alike. A similar ambivalence can be found among provincial leaders and officials. There are substantial variations in attitude and behaviour as well among communities and the various social categories. While there remains the traditional antipathy toward St. John's in its role as the "imperial" centre, there has been little apparent local reluctance to avail of the growing resources that in recent years it has made available for distribution. There is, nonetheless, a strong and coherent demand for major policy changes which would provide a greater degree of practical decentralization and introduce much more effective incentives toward local self reliance and independence. The Commission also believes that there has been a substantial growth over the years in the quality of leadership in Newfoundland's municipal public life.

(b) *Municipal Fiscal Structure*

18. Since there are virtually no public programmes that can be undertaken without money, it is only natural that the major issues in provincial-municipal relations are powerfully influenced by financial considerations. We now summarize our conclusions in this key sector.

19. Newfoundland's total municipal budget in 1974, including the full cost to the Province of providing city fire and police services, will amount to $51.2 million, as compared with only $28.1 million in 1970. Of the estimated revenue which should become available to all municipalities during the current year, $29.4 million (57%) will be raised from local sources and from federal contributions. The remaining amount, $21.8 million (43%), will be supplied directly by the Province. To this latter amount should be added another $3 million which will be spent by various provincial departments on the supervision and support of local government.

20. Taken as a group, the non-city municipalities will receive a much higher level of provincial assistance than either St. John's or Corner Brook. We estimate that all non-city local authorities will dispose of $27.6 million. Of this amount, $12.2 million (44%), will be raised from local revenue sources and federal government contributions. The remaining amount, $15.4 million (56%), will be provided by way of the provincial revenue grant, the road grant, the water and sewerage subsidies, and other municipal support programmes.

21. The Commission has found that the cities and some of the largest towns in Newfoundland are assisted financially by the Province at comparatively low levels by the standards of other provinces. The medium and smaller municipalities, on the other hand, receive government assistance at levels far above those prevailing elsewhere.

22. As a result of its extensive financial studies, the Commission has established that *three* distinct patterns of provincial support to local government in Newfoundland have emerged during the last decade. First, a great many extremely small municipalities, engaged in only the most rudimentary service functions, receive a relatively small proportion of total annual provincial allocations. When the impact of these grants on local budgets is studied, however, it becomes clear that, with few exceptions, the amounts received are greater than those raised from purely local sources. Only two or three of these nearly two hundred units impose the real property tax. In addition, very few of them have borrowed for long-term capital purposes.

23. Second, there has emerged a numerically smaller category of some eighty municipalities, chiefly found among smaller and medium sized units, whose members have been assisted by the Province to a reasonably developed stage in terms of primary services. These local authorities now receive the largest share of all financial assistance distributed by the Province. The budgets of the majority in this group are among the most unrealistic to be found among Canada's more than two thousand municipalities. With respect to some of these units, the level of dependency upon the Province for the revenue needed annually to sustain service operations is now approaching 70 per cent. In a number of cases, it actually exceeds 80 per cent. The Commission has discovered that, among half of these budgets during 1971, annual debt charges consumed more than 45 per cent of total municipal expenditure. In a number of instances, the debt service cost ratio exceeded 60 per cent. In one case, it was more than 70 per cent. The number of units with these abnormal budgets has increased rapidly since 1971.

24. It is a common assumption in local government finance that a danger point has been reached when one-quarter of all local expenditure must be diverted each year for the exclusive purpose of meeting debt service costs. By 1971, St. John's had reached this point, while Corner Brook was slightly beyond it. Among all municipalities in Canada during 1972, on the other hand, debt charges on the average constituted only 15 per cent of total annual local outlays. No province permits its municipalities to borrow for capital purposes except with the approval of the appropriate minister or some designated control agency. In the mainland jurisdictions, central approval may be witheld when municipal debt ratios rise above acceptable levels. In a few cases, borrowing above a given amount may be subject as well to ratepayer approval. For this particular category of municipalities in Newfoundland, however, these procedures are reversed. Not only has the Province authorized abnormally high debt ratios, but it has for some years been the sole buyer of almost all local debentures for local capital development, and has to an increasing extent *subsidized* municipal interest and repayment costs through a programme of water and sewerage subsidies. In

Newfoundland's local public finance, therefore, abnormally high debt ratios are a consequence of provincial assistance programmes which have not been made strongly conditional upon a parallel development of local revenue sources.

25. Except for the cities and a few larger towns, the level of outstanding municipal debt *per capita* in Newfoundland, for obvious reasons, is very low by external standards. The debt *ratios* for municipalities in this particular category are abnormally high due in large measure to the undeveloped nature of the municipal revenue base. Many of the recently authorized long-term local obligations will extend over a forty-year period. The Commission notes that a surprising number of communities (but not the majority) with high debt ratios have declining populations and above average rates of dependency.

26. Debt ratios among all municipalities have no coherent statistical relationship with community income, and virtually no correlation with local tax effort. Contrary to popular belief, these budget abnormalities are not always the result of water and sewerage utility development. The Commission has found cases where local road paving programmes, in municipalities without water utilities, have resulted in debt ratios of more than 50 per cent, even though one-half the cost of these projects is underwritten by the Province in accordance with cost-sharing arrangements.

27. Very few of the municipalities in this second category impose real property taxation. Among those that do use this levy, tax rates are maintained over long intervals at very low levels. Most of these units depend upon flat-rate municipal service fees (i.e., poll taxes), monthly utility user charges, and the consumption-based fuel and business taxes. The general conclusion is as follows: for this second group of municipalities, a substantial service development has been achieved without any proportional expansion of local revenue sources. There will, of course, be exceptions to this general rule.

28. Lastly, there is a third category consisting of a few of the largest municipalities and the two cities. These local authorities have developed normal service levels as a result mainly of the fiscal exertions of their own ratepayers. Most of these units impose real property taxation, together with the other available municipal revenue sources. In most cases, they have had to use real property taxation at relatively high rates. Their budgets have come under increasing strain due to service extension pressures associated with the urbanizing process. Most of these municipalities are at the maximum level of the revenue grant; few of them have been the recipients of large special grants in recent years. For this third category of municipalities, therefore, substantial local revenue development has taken place, but adequate service levels for growing populations have been achieved only with increasing difficulty.

29. Since 1970, for instance, the entire *growth* of city budgets has been shared equally by city ratepayers and the Province. During the same period, by way of contrast, almost all the growth of non-city budgets has been due to increased provincial assistance. Whereas in 1970, the non-city municipalities raised 62.7 per cent of their own revenue requirements, it is estimated that in 1974 the equivalent ratio will barely exceed 44 per cent. In

these years, the ratio of provincial support for city budgets, including the full cost to the Province of city fire and police services, has remained constant at 27 per cent.

30. The purely local element of the municipal revenue base in Newfoundland is in a state of increasing disarray. Real property taxation yields in this Province during the last decade have constituted a *declining* share of all revenue raised from local sources. The trend in all other jurisdictions has been in the opposite direction. Outside of the cities and a few of the largest towns, the real property tax is systematically under-utilized. In all municipalities, however, this tax is badly administered. The assessment process, upon which the real property tax depends for its effective administration, moreover, is defective in both its design and operation. As the result of its comparative studies, the Commission has reached the conclusion that Newfoundland is fully a decade behind most other provinces in the development of an adequate policy regarding real property taxation.

31. No other jurisdiction delegates to its municipalities the authority to levy a tax on fuel oil, propane gas and coal. This tax is more regressive than the real property tax. Because it is levied on a gallonage or weight basis, its yield responds to population and climatic changes rather than to price and income changes. An increasing proportion of local ratepayers are able to avoid this tax entirely through the use of electric space heating methods. It is probable, moreover, that this tax avoidance is confined essentially to ratepayers with above-average incomes.

32. Four different methods of local business taxation are currently in use. All of them are defective as well, although one (the stock or inventory tax) is now rarely imposed. The per capita yield of these taxes, like that of the real property tax, has accounted for a *declining* share of all local revenues during the last decade.

33. To a degree not commonly found elsewhere, the Newfoundland local revenue system has come to depend increasingly upon flat-rate levies. First, there are the widely used municipal and community service fees, Newfoundland's version of the ancient poll tax. Since 1967, the poll tax has been abolished in New Brunswick, Ontario, Nova Scotia and Prince Edward Island. The only positive feature of the service fee is the requirement that it cannot be levied at a rate of more than $40.00 per annum, or $3.33 per month. In many small municipalities, however, it is not imposed at its maximum level.

34. Second, there has been a substantial recent increase in the relative weight of monthly, flat-rate water and sewerage utility user charges. In many local authorities without real property taxation, these levies provide the largest single source of revenue. The monthly rates at which these charges are now imposed range from $5.00 to $11.00, depending upon the age and nature of the water utility found in each municipality. Except in the extremely unlikely event that all ratepayers receive the same annual income, an *excessive* dependence upon these user charges tends to distribute the local tax burden in an inequitable manner. When they are imposed at *high* flat-rates, user charges become excessively burdensome on low income taxpayers. Indeed, the Commission has come to regard the recent increase

in the weight of these charges, rather than a more general application of real property taxation, as a most undesirable development. The widely held view that the only equitable levy is one which requires every ratepayer to contribute an equal annual *amount* of tax rests upon a fundamental misconception. The equality formula, which may be equitable enough when local taxes are imposed at very low levels, becomes quite inappropriate when service extensions require substantial increases in municipal tax levels.

35. Industrial contributions to local authorities, other than their liability for ordinary business taxation, are not determined in accordance with any general policy. One major resource processing company, for instance, is not *obligated* to make any contribution toward the city in which it is located; it does so only as a matter of normal practice. There are a few formal agreements between large industrial firms and a very small number of municipalities. In other cases, the contributions of large enterprises to local budgets are specified by statute. It is true to say that no province-wide or general standard has been developed and implemented in regard to these matters.

36. The Commission has found that there is a considerable misunderstanding among municipalities in respect of the following matters: (1) the taxation of investor-owned utility companies, (2) the relationship between taxation for school and for municipal purposes, and (3) the tax liability of certain federal properties. Because of restricted use of the real property tax, some municipalities are not eligible for grants in lieu of taxes either from the Government of Canada or from its crown corporations.

37. For its part, the Province of Newfoundland has no developed programme through which it contributes toward the local cost of servicing provincial properties within municipal boundaries by way of grants-in-lieu of taxation. Virtually all other provinces now have such programmes. But the Province, as we have indicated, supports most of its municipalities with other grants at levels generally above the national standard.

38. It is an indisputable fact that Newfoundland has the least developed municipal revenue system in Canada.

39. Statistics Canada has for more than two decades recorded the annual levels of municipal tax delinquency found in each of the ten Canadian provinces. Throughout this period, Newfoundland has always maintained the highest level of annual tax default. The annual rate of tax default is the amount of local taxes outstanding expressed as a percentage of collections. Among all the mainland provinces, Nova Scotia has in recent years recorded the poorest performance in this sector, with ratios in the 25-30 per cent range. By comparison, Newfoundland's rates have remained in the 35-40 per cent range since 1952. Levels of tax default in this Province are not coherently related in a statistical manner with the size of municipal populations, the levels of community income, the intensity of local tax effort, the levels of municipal services achieved or the size of provincial contributions. Abnormally high rates of tax default can thus be found in municipalities of all types, sizes and conditions.

(c) *Provincial Fiscal Support Policy*

40. Paralleling the lack of local revenue development specified above has been a fundamental recent change in the methods through which the

Government of Newfoundland provides assistance to its municipalities. In the formative years of municipal development, the bulk of provincial support was delivered by way of the revenue and road grants- two formula-based programmes related mainly to local revenue yields and the size of municipal populations. Since the mid-1960's, however, the relative weight of these grants has steadily diminished in the Province's overall assistance programme, and the incidence of discretionary assistance, based upon no known formula, has come to assume a primary fiscal significance.

41. No other province in Canada provides municipal assistance that depends upon such a large measure of ministerial discretion and is subject to so much uncertainty. The effect of this basic policy shift has in recent years produced what may best be described as a systematic dislocation of budgetary practice in the increasing number of municipalities receiving water and sewerage subsidies and various kinds of special or "emergency" assistance contributions. Authorization of the water and sewerage subsidies has been confined in the main to the second category of municipalities identified above. Special or emergency grants have generally had a wider distribution, but have not been allocated in any substantial amount to the largest towns and the cities.

42. This growing emphasis upon discretionary allocations, often in some years for current as well as capital purposes, has stimulated an intense inter-municipal competition for the available, yet inevitably limited, discretionary fiscal assistance. For this reason, a unique pattern of provincial-municipal financial relations has emerged in Newfoundland. This pattern involves extended bargaining among provincial and municipal leaders and has produced increasing levels of stress and conflict. Its most notable consequence, however, has produced a thorough destabilization of the municipal budgetary process in a growing number of the medium and smaller municipalities that are avidly pursuing service development objectives. To an increasing degree, therefore, Newfoundland becomes the only Province where local budget-making tends to be in progress throughout a good part of each year. In consequence, uncertainty and cross-purpose tend to become the dominant features of provincial-municipal financial relations.

43. The Commission also points out that the distribution of financial assistance to municipalities has in recent years displayed little coherence in any statistical sense. We have established the existence of an almost equal probability that the level of total grants per capita will be as high in the larger as in the smaller municipalities, in the growing as in the declining communities, in the more densely populated as in the less densely populated, in the high income as in the low income units, and in the towns with a high incidence of social assistance payments as in those with relatively low levels.

44. Total grants per capita, moreover, manifest only a weakly positive association with municipal utility service levels, with the road pavement ratios in communities and with local tax effort. Even the relationship between local taxation yields per capita and total per capita grants received by municipalities displays a weak positive correlation at the level of only 0.34, on a scale of possibility measured from 0.00 to 1.00.

45. After more than eighteen months of intensive investigation, during the course of which expert testimony from all quarters was considered, and the audited financial statements of all the major municipalities were subjected to an analysis involving the use of electronic and other statistical techniques, the Commission has reached the conclusion that municipal public finance in Newfoundland has for some years been in process of steady deterioration. If this trend is permitted to continue much longer, it is our judgment that the entire future of local self-government may well be placed in jeopardy.

46. We specify two critical conditions that have produced the destabilizing influences now apparent in municipal finance. Each of these conditions, moreover, reinforces the other. The first represents a local failure, a deficiency particularly evident outside the cities and the largest towns. The second represents a provincial failure. The local failure stems from a strong desire on the part of increasing numbers of civic leaders and citizens for more extended municipal services which is not accompanied by their willingness to assume an adequate level of municipal financial responsibility for the cost of those services. This failure of responsibility is by no means confined to communities with below-average incomes per capita or above-average social assistance payments per capita.

47. Three consequences follow from this tendency. First, a growing number of communities have been able to obtain services through above-average provincial assistance that is not systematically related to their income levels, local tax effort, or even to their needs. Such a programme of fiscal support, which creates a growing category of favoured municipalities and operates in accordance with no coherent formula, comes more and more to be viewed as inequitable. Second, the services being demanded and realized in these favoured communities are strictly *municipal* services whose benefits accrue directly to specific places and to the real property owned by local residents. Why, it is asked, should the residents of some municipalities be required to contribute heavily toward the cost of the services which enhance the capital value of their own properties, while the residents of the assisted municipalities have their real properties enhanced in value by virtue of services whose cost is heavily subsidized from the general revenue provided by all taxpayers of the Province? Third, the failure of local financial responsibility also raises the municipal fiscal dependency ratio, sometimes in a dramatic fashion. Whatever else they may be, local governments (whose functions are restricted to delivering the more costly services of direct and exclusive benefit to place and local property) that become dependent upon the Province for more than 70 per cent of their annual revenue requirements are hardly *municipal* governments in the ordinary meaning of that term.

48. The second primary deficiency specified in this report stems from a provincial policy failure which, under the guise of promoting high rates of incorporation and of fostering very rapid local service development, has not provided the essential incentives needed to encourage and strengthen the precarious spirit of local financial accountability inherited from Newfoundland's past. The Commission considers that there is little point in preaching

the doctrine of municipal financial responsibility while retaining the present discretionary assistance arrangements. For it is all too clear that failure at the local level to achieve an adequate performance in this respect is increasingly *caused* by discretionary grants. It is well known that the introduction and subsequent development of these allocations has been rationalized as being necessary in view of limited local taxation capacity. But the grants have as often been awarded to municipalities whose citizens have above-average incomes as they have to local authorities whose ratepayers have incomes that are below-average.

(d) *Institutional Structure*

49. Moving from the financial to the institutional structure of Newfoundland's municipal system, the Commission identifies two other primary weaknesses in the practice of local self-government. The first deficiency is a consequence of the ongoing tendency to incorporate larger numbers of smaller municipal units. It seems obvious that because of their small size, their generally limited resource endowments, and, quite often, their declining populations, they are fated to be forever incapable of functioning as effective and reasonably independent local authorities. This condition is tolerable, and under present arrangements is not too costly from the provincial standpoint, so long as their inhabitants and leaders demand only the most rudimentary of local services.

50. An increasing number of these bodies, however, aspire to the status of fully developed municipalities. And their aspirations must be respected, since the very logic of current municipal policy certainly encourages such expectations. Born in a state of strong dependency upon the Province, so to speak, their quest for improved services, if and when it is realized, inevitably increases that degree of dependency and often requires exceedingly uneconomic allocations of scarce provincial resources. This, in turn, reduces the funds available for processing other demands. Service facility installations under these arrangements are often inadequately supervised and later give rise to costly and troublesome management problems. And once a programme of assistance has begun, it cannot easily be halted. In view of the large number of communities involved, moreover, the claims upon government each year are such that the selection process is attended with dissatisfaction and sometimes even animosity.

51. Newfoundland's present municipal policy, in effect, lacks the incentives that would encourage smaller communities to achieve their legitimate service goals through some route other than inter-municipal competition, direct bargaining with the Province and the experience of progressively higher levels of fiscal dependency. There is absolutely no doubt that regional approaches, the pooling of money, facilities and equipment, joint or multiple service operations, and other service delivery techniques do offer better prospects for success in these ventures than does the present centralized system of decision-making and queuing. It will be claimed, of course, that Newfoundlanders are by nature incapable of achieving the cooperation essential to the effectiveness of these alternative methods. The Commission's reply is that until there exists some policy framework which encourages the needed experiments and evaluates their results, no such generaliza-

tion or assumption can be validly sustained. The plain fact is that incorporation has too often been considered an end in itself. No institutional and service framework with operational goals of the kind just described has ever been devised and implemented. This condition, in the Commission's view, represents a major provincial policy failure.

52. While there are many detailed aspects of the present structure of local government institutions that are quite acceptable and do not raise any major formal impediments to the further growth of local self-government, there is one central structural defect which, in the Commission's view, does progressively inhibit the emergence of a more self-reliant and mature municipal practice in the Province. We refer to the traditional statutory model of centralized administrative tutelage, supervision and control of municipal corporations that was devised and introduced in the formative years of local self-government, and which in some respects has been expanded in recent years as the Province has become increasingly involved in its various financial and other support or service programmes.

53. Local governments in all jurisdictions are subordinate institutions invariably subject to central direction and control. The Commission recognizes the need for an adequate and unambiguous measure of supervision and control of local authorities. It also recognizes the many practical reasons which have produced the present very extensive system of tutelage. It was felt for many years that municipalities had to be closely supervised in order to prevent either the exuberances or the unwitting incompetences of councils from jeopardizing the entire process of incorporation. A related factor, however, was a strong tradition of centralized provincial administration.

54. The present scope of centralized provincial supervision of municipal operations is the most extensive and pervasive found among Canada's ten local government systems. It is the Commission's view that this control structure has an altogether excessive focus on matters which ought in any mature municipal system to be the exclusive concern of local authorities. Altogether too much of the time and energy of departmental officials is devoted to servicing this structure, a system that is now quite inappropriate for our developed municipalities. Official preoccupation with the detail which is now required by statutory rule, moreover, in all probability detracts seriously from the attention and supervision needed to an increasing degree in matters of strategic detail. Why, for instance, is the Minister now empowered to defer a municipal election for up to nine months, when that power was not delegated to him in the original *Local Government Act?* Why is the *cabinet* the body that appoints municipal *auditors,* when in every other jurisdiction it is the councils that appoint their own auditors, subject to strict statutory rules? Why must the *salaries* of town clerks, managers and all other principal executive officers — including the local fire chiefs — be subject to the approval of the *Minister?* Why must the *cabinet* be the authority which determines whether or not a municipal council will be empowered to vote an annual remuneration for its members? The Commission has been given various answers to these questions, but none of them can really be sustained in relation to any goal which seeks to foster the

growth of a strong *municipal* system of government. Power in relation to local matters of this kind is either decentralized, or it is not. If it is not, there can be little foundation upon which to build a real local independence and maturity.

55. One of the reasons why it is difficult in practice to consider dismantling this elaborate control system, and retaining in the Minister's hands only those core powers really needed to secure the necessary central control on critical matters, is that many local leaders have grown accustomed to this unique tutelage arrangement. The intensity of the local political process in Newfoundland is often such that many municipal leaders feel their authority may be placed in jeopardy unless they can point to statutory rules and, with regard to certain sensitive matters, have their decisions legitimated by official action in St. John's. During its inquiry the Commission heard some requests for more, not fewer, statutory rules of this kind. Central supervision of local budget matters presents a distinctive set of problems. As indicated above, we consider that present methods of supervision in this sector, when viewed in the light of recent developments in provincial-municipal fiscal relations, are tending increasingly to produce a deterioration of fiscal responsibility at the local level.

56. One final consideration relating to the central control function should be noted. It appears axiomatic to the Commission that small practical progress will ever be achieved in moving toward a more normal structure of provincial control of municipal affairs in this Province unless some success is possible in improving the skill levels of local administrative personnel, and in providing municipal leaders with the consultative and advisory services they need in order to deal more effectively with the increasing complexity of the problems encountered as their communities move through successive stages of development. The Commission points out that in the legal-technical world of local government, particularly in municipalities where the more sophisticated utility services are in place, the practical requirements imposed on leaders and their staffs possess a growing range of complexity that are not quickly assimilated by leaders and untrained or partly-trained staffs. In some respects this is true even in the smaller, less developed units. The local enactment of a technically adequate set of municipal regulations, for example, can impose a severe challenge in a small, isolated community without access to a lawyer. Nor is it easy for the chairman of a community council, one hundred miles from the nearest large centre, to deal with a defective chlorinator for a small supply system using water which in its untreated state has already been condemned by the Department of Health. These difficulties grow in geometric progression with the development of municipal services.

57. The Commission believes that some of the constraints which appear in the statutes as legal restrictions are, in actual fact, substitutes — very poor substitutes we think — for proper service functions which the Department of Municipal Affairs and Housing for budgetary reasons has simply never been in a position to supply. The department has been understaffed and excessively centralized. Only recently, for instance, it has been given authority to develop a regional field staff. Most municipal affairs departments in other

provinces have maintained field staffs for decades. It is a strange commentary that the Province whose municipal system has been most in need of a strong and growing regionally based support programme, should be the last in Canada to supply such essential services. It is the Commission's conclusion that, in relation to any *serious* acceptance of the goal of local government development in Newfoundland, this condition represents as well a major provincial policy failure.

3. A Proposed Agenda for Municipal Development

58. As a result of its inquiry, the Commission proposes a fundamental revision of public policy toward municipal government in Newfoundland. The present policy framework, in our opinion, is defective as it relates equally to local needs and to provincial capabilities.

59. The emphasis upon incorporation as an end in itself, and without an appropriate provision for its consequences, was perhaps the only strategy available in practice during the past three decades of initial and very rapid development. During the next three decades, however, a substantial departure from existing policy modes is required. The various goals, strategies and detailed programme recommendations contained in the following report are premised on the basic proposition that the fostering of a stronger, more self-reliant system of local government in Newfoundland is a civic venture of the first importance.

60. The experience thus far gained in the small municipalities with local government is considered by the Commission to be of some importance. For this reason, we do not recommend any programme of instant institutional surgery that would seek to replace (and in the process perhaps destroy) the emerging organizational fabric of community life in many small centres. It is not our purpose, therefore, to recommend a programme that would in practice deny to local citizens their recently acquired rights of access to, and participation in, local public affairs. Yet we have been forced to the conclusion that the present system of municipal organization is wholly inadequate in relation to current and future needs. The Commission is unanimously agreed that the continued incorporation of progressively smaller communities is not in the public interest. Throughout the report it is thus assumed that the possibilities for further development within the existing municipal policy framework are now effectively exhausted.

61. As a substitute for existing practice, we propose a policy of regional municipal development in Newfoundland. Such a policy should become the centrepiece of local development strategy during the next three decades. This policy should be introduced in a carefully planned manner and be implemented in stages; it should not be imposed unilaterally by the Province nor be applied simultaneously in all areas of Newfoundland. If pursued in the manner recommended, it should result in the establishment of perhaps as many as twenty territorial units of local government, including within their boundaries all communities at present incorporated, as well as the population now residing in the five hundred small, unincorporated centres. Ultimately, therefore, almost all of the Province's citizens would live within municipal boundaries.

62. As they are proposed in this report, these municipal regional authorities would have a two-level structure. They would not assume any *major* responsibility for the functions now performed by the Province (e.g., in the areas of justice, highways, social services and health). Nor should they displace any of the larger, well developed municipalities. Nevertheless, they should possess all the existing powers delegated to local authorities, together with certain responsibilities at present exercised by the Province. And it is of primary importance that they should become regional centres of administrative strength.

63. The Commission places the utmost emphasis upon this latter requirement. Any attempt to establish weak regional units, given the nature of the Province's municipal environment, would constitute a strategic policy error of major proportions. Newfoundland does not need and could ill afford yet another category of dependent, resource-starved municipalities. If strong regional authorities cannot in practice be established, it would be preferable to consider other methods of dealing with the existing organization deficiencies found in local government.

64. Once they were fully developed, the proposed regional authorities would assume primary responsibility for the services now being provided by many of the smaller incorporated communities. In addition, they should be assigned responsibility for delivering *municipal* services to all unincorporated settlements within their boundaries. At a time deemed to be suitable, clusters of the unincorporated local centres within regional boundaries should be organized as local service districts with elected advisory boards. Local service bodies would in this manner supersede all existing local road boards, local water supply committees and local waste material disposal committees now operating in the unincorporated areas of the Province.

65. Regional municipal councils should by stages be assigned the full range of municipal power and in the long-run should provide a range of important regional services: regional police, dog and animal control, land assembly programmes, ambulance services, some regional aspects of environmental mangement, regional planning and regional utility facilities where required. In addition, they should be assigned sole responsibility for the collection (but not the imposition) of school taxation and local school assessments. Subject to the supervision of the Minister, they should become responsible as well for co-ordinating certain local services provided by the municipalities within their territory.

66. Regional municipal councillors should be elected for four-year terms by single-councillor regional constituencies containing approximately equal populations. Like all municipalities, regional authorities should be empowered to levy taxation and impose service fees in respect of a portion of their area-wide service costs. They should also receive in respect of their unincorporated populations the general assistance grant as proposed in this report for all municipalities, including the two cities. In addition, they should receive a special, cost-related, regional incentive grant. Detailed specifications of the power, functions and structure of the proposed regions, together with the procedures to be followed in their establishment and development, are provided in Chapter 13.

67. During its eighteen-month search for a development strategy appropriate to Newfoundland's circumstances, the Commission examined and weighed a wide range of possible options in relation to the broad public interest. At one extreme, it considered accepting the existing pattern of municipal organization with only minor modifications. For the reasons made clear earlier, such a strategy could not really be recommended for public consideration.

68. At the opposite extreme, we examined an option that would have required the disincorporation of all but sixty of the more developed municipalities. Under that proposal, the Province would assume direct *local* service responsibility in virtually all of Newfoundland's smaller towns and rural settlements. This option would have implied the establishment by the Province of more than a dozen municipal service regions requiring staffs of provincial officials, together with all the physical facilities and resources needed to enable them to conduct local service operations in a comprehensive and efficient manner.

69. In order to finance such a venture, the Province would undoubtedly be forced to impose a province-wide local service fee, real property tax or, as recently recommended by Nova Scotia's Royal Commission, a business levy. In any event, some form of taxation would be required for universal application (outside of the small number of incorporated towns) to pay for the local service operations.

70. Provincial entry into the municipal tax field would also become the occasion upon which the Province could collect the needed local contributions for school revenue purposes, as is now done in New Brunswick and Prince Edward Island. A similar arrangement has recently been recommended by Nova Scotia's *Royal Commission on Education, Public Services and Provincial-Municipal Relations*. But in view of the prevailing circumstances and practical requirements, it is this Commission's judgment that the pursuit of such a development goal in Newfoundland would not be appropriate in the years ahead.

71. While the Province proceeds with its proposed regional development programmes, however, it should consider an entirely new approach toward municipal public finance.

72. After a considerable investigation of all available fiscal options, in the light of Newfoundland's economic circumstances and of practice in most other North American jurisdictions, the Commission has concluded that municipal access to the provincial income tax field is not feasible. As a substitute for such a departure, and as a replacement for the existing and wholly unsatisfactory framework of municipal finance, we propose that imposition of real property taxation be required by law in all developed municipalities. ("Developed municipalities" are designated by the Commission as all communities in which the Province has and for the foreseeable future will be contributing annual water and sewerage subsidies in respect of water or water and sewerage utilities that provide service to a majority of the local residents.) Furthermore, all municipalities authorized to borrow for utility development in the future should automatically be designated as developed authorities.

73. In pursuit of that objective, it is recommended that the assessment functions now performed by the Province on behalf of the twenty-five municipalities outside of St. John's be extended during the next five years to all developed authorities required hereafter to impose real property taxation. Further, it is proposed that the assessment process be completely restructured and developed to a level consistent with general programme requirements. The aim should be ultimately to assess *all* real property in the Province, and to integrate *all* assessment functions under a single agency to be located in the Department of Finance. During this development process, moreover, the capital value base for assessment should be substituted for the rental value appraisal base now used in St. John's. Such a proposal has already been made in the *St. John's Urban Region Study* and was recommended by the City in its submission to this Commission. The many technical procedures required for this transformation of the existing assessment process are detailed in Chapter 7.

74. As part of its many fiscal reform proposals, the Commission recommends a staged reduction of real property tax exemptions, an extended and mandatory use of local improvement assessments, and changed methods of dealing with municipal tax defaults. It also recommends the required use of an improved, supplementary business levy, a revised system of private utility company taxation, and a new provincial programme of grants-in-lieu of taxation. In addition, it is recommended that the fuel tax, the vehicle tax and several minor nuisances taxes be abolished. The purpose of these proposals is to simplify and broaden the municipal tax base, and to secure the needed improvements in local tax administration.

75. As a remedy for the critical weaknesses inherent in the present municipal fiscal support policy, the Commission recommends the abolition of the existing system of revenue grants, road grants, water and sewerage subsidies and all special or "emergency" allocations, except those required to meet *bona fide* situations where, at the Minister's discretion, special assistance may be deemed essential in view of natural events of an unusual kind or of unforeseen economic dislocations.

76. In lieu of the present methods of providing assistance to its municipalities, it is proposed that the Province introduce a three-part system of financial support. These grants should be generally available to all municipalities, including the cities, and ultimately, the proposed regional authorities. They should include the following elements:

- A Municipal General Assistance Grant
- A Municipal Tax Incentive Grant
- A Municipal Capital Projects Grant

77. The General Assistance Grant should be available to all incorporated units and should have three separate components. First, it should provide an annual per capita *basic allocation* scaled to the population size of each municipality. Second, it should provide a subsidiary allocation scaled in a direct manner to each municipality's social assistance payments per capita during the previous year. (This element we have called the S. A. *supplement.)* Third, it should provide a final subsidiary allocation scaled directly to the length of public road mileage over which each municipality

has jurisdiction. (This element we have called the *L. R. M. supplement.)*

78. The Tax Incentive Grant should be allocated annually to all local authorities that are or become designated as developed municipalities and are thus required to impose real property taxation. Under this proposal, the Province would pay annually to each developed municipality employing the real property levy, an amount equal to the yield of that tax in the preceding year.

79. As it would apply to the two cities, this latter grant should be adjusted to reflect the cost to the Province of supplying or subsidizing city police and fire protection services.

80. The Capital Projects Grant, finally, should be available to municipalities in accordance with criteria and procedures to be established by a Municipal Capital Projects Board. All grants should be allocated upon cost-sharing principles and be made available for a narrow range of road paving, equipment purchase, incinerator, recreation facility and other non-utility capital projects. It is proposed that all capital requirements for utility development should hereafter be obtained by local authorities from guaranteed borrowings. Capital grants for this latter purpose should be terminated immediately. The decisions to authorize borrowing should be vested in the Minister and the Government, following the technical recommendations to be made annually by the Municipal Capital Projects Board.

81. As indicated previously, there should also be a cost-related regional incentive grant. The amount of that grant should be equivalent to one-half the cost of supplying area-wide regional services. Since the regional units will develop their functions only in a staged or sequential manner, the amounts required for this grant will in the early years be minimal.

82. It is recommended, lastly, that all provincial grants should be distributed hereafter in accordance with statutory requirements rather than in terms of administrative practice as is now the case.

83. The many technical aspects of this proposed alternative fiscal support policy are detailed in Chapter 8. The purpose of the proposed policy is to regularize the manner in which local authorities will in the future receive assistance from the Province, to compensate them for the loss of the fuel and vehicle taxes, to augment local revenues in view of the inherent fiscal deficiencies associated with the real property and supplementary business tax levies, to stimulate a much greater contribution from local citizens in respect of local services of direct benefit to them, and to introduce a greater measure of balance in the manner through which all the taxpayers of the Province contribute to local service extensions in the small, medium and large communities of Newfoundland.

84. Other primary recommendations contained in the report include the following:

- improvements in crown land administration
- development of a provincial water-use policy
- a regional water and sewerage utility programme (provincial)
- development of regional police services
- a change respecting local police services in the larger towns
- development of a provincial fire protection policy

- decentralization of regional planning functions
- establishment of regional planning funds
- revised procedures for municipal plan adoptions and reviews
- new municipal assessment appeal procedures
- abolition of the St. John's Metropolitan Area Board
- alteration in the basic framework of municipal law
- new procedures respecting municipal incorporations and boundary alterations
- abolition and conversion of virtually all local improvement districts
- revised formula for the remuneration of municipal councillors
- municipal staff recruitment and training plan
- a universal municipal staff pension programme
- reduction of the detailed supervisory power of the Minister and, in some instances, of the Lieutenant-Governor in Council (19 specifications)
- introduction of a new municipal budgetary process
- establishment of new departmental service programmes
- reorganization of the Department of Municipal Affairs and Housing
- a new management support function
- a regional planning and implementation function
- extension of planning and engineering services with a reduced reliance upon external consultants
- a reorganized municipal supervision function.

85. Members of the Commission are in unanimous agreement that the recommended plan of local government reform is both desirable and feasible in relation to Newfoundland's second phase of municipal development. There is no doubt that pursuit of these goals is a task of major civic importance.

Part I

The Development of Local Government in Newfoundland

Chapter 1

The Development of Local Government in Newfoundland

1. Historical Background

Although its history has been lengthy, Newfoundland's experience with local government has been relatively brief. The Island's first municipal incorporation, that of the town of St. John's, did not take place until 1888, and there were no further incorporations until half a century later. Local government units other than St. John's have been organized only in the past thirty-five years, and there is no system of county or regional government corresponding to that which exists in most other Canadian provinces.

Any opportunities for early development of local government institutions were virtually arrested by Britain's policy from the seventeenth century onward regarding settlement of the Island. Prior to the mid-1630's, the Crown had supported efforts to colonize Newfoundland. But pressured by West Country merchants, who wished to maintain their monopoly of the fishery, and conscious of the need for a reserve body of able seamen, the British government saw an increasing advantage in retaining the Island as a "great ship moored off the Banks" rather than in fostering its development as a settled colony. Accordingly, in 1634 it passed the first of a series of restrictive charters and regulations which generally stopped short of prohibiting settlement outright, but made life extremely difficult for settlers. Indeed, as J. C. Crosbie in his definitive study on local government in Newfoundland has indicated, houses could not be built without the governor's permission until 1811, for example, and land could not be leased for agricultural purposes until 1813. It is perhaps surprising, under the circumstances, that by the end of the eighteenth century Newfoundland's population numbered as many as ten thousand.

For more than two hundred years, an indefeasible right to property was unobtainable, and the colony's settlers were deprived of the security of land tenure enjoyed by the inhabitants of the other British colonies. A regular judicature was established in 1791 and a resident governor was appointed in 1817, but the discriminatory laws against settlement and property were not completely abolished until 1824. The colony was eventually granted representative government in 1832, and responsible government followed in 1855.

While the refusal to recognize ownership of private property undoubtedly prevented the development of municipal government for a considerable period of time, there were other historic and economic factors which subsequently delayed it. One such hindrance was that the Island's best agricultural land, to be found on its west coast, was not open to settlement until the beginning of the twentieth century largely because of special fishing rights conceded to the French under the Treaty of Utrecht in 1713. The French had later claimed exclusive rights over the west and northeast coasts, and British settlement was not permitted. The late resolution of the French Shore question (1904) postponed the completion of an island-wide railway line for a full twenty years and lengthened the period of the economy's sole dependence on the fishery, consequences which tended to retard local government development.

A crucial factor was the fishery, which had early become the focal point of life in Newfoundland and had caused the Island's slow-growing population to spread out along the extensive coastline in search of better and uncrowded fishing grounds. Approximately thirteen hundred small and isolated communities eventually formed, many of which consisted of little more than a few houses and stages perched upon steep cliffs with narrow paths wandering through them. As late as 1945, the average population of these settlements was a mere two hundred and fifty people. Connected for the most part only by the sea, communication between them was difficult and therefore irregular.

The average settler in these outports had little knowledge of local government institutions as he had had no previous experience with them; most immigration to the island had occurred prior to their development elsewhere. He worked too long and too hard in relative isolation to develop a deep interest in improving community conditions, and was almost completely cut off from information concerning the growth of municipal government on the mainland.

Because of the fishery's dependence on precarious foreign markets, the colony's budgetary income was always low and direct taxation formed an insignificant part of it. A fisherman's income, on the other hand, was generally very small, and usually took the form of credit extended by the local merchant in exchange for his catch. Little, if anything, was left over after the basic necessities of life had been purchased. Added to his unfamiliarity with direct taxes, and his inability to pay them, was the outport dweller's awareness that his house and land were all the security that he had; anything which threatened these hard-won possessions would adversely affect his livelihood and personal prospects.

All of these factors combined to make it relatively easy for the anti-confederate groups in the Confederation campaign of 1867 to plant the fear that Confederation would lead to municipal government, which would inevitably involve a tax on real property. Because there was no cash to pay the tax, the end result would be the confiscation of the settler's real property due to tax default. Unfortunately, dread of the property tax persisted long after the campaign had ended. As long as it was perceived as a threat, and as long as there was thought to be a connection between it and the establishment of local government, any movement toward the growth of such government would be strongly resisted.

The most important single reason for the late development of local government in Newfoundland, however, is neither the late acknowledgement of the right to own private property nor the near-fanatic dread of the property tax, but rather because the need for municipal services was not acutely felt until recent years. For most of the Island's small settlements, wells sufficed as a water supply and the ocean took adequate care of sewage. Fires could generally be kept under control by volunteer fire brigades. Newfoundlanders have, for the most part, been exceptionally law-abiding people, and order was easily kept by a small force of rangers, and by magistrates and justices of the peace. In the larger communities, water and sewer services, streetlighting, and, in the case of St. John's, even fire and police services, were provided either by the government, by a major industrial concern, or by private companies set up by local merchants. Anything not thus provided was done without.

Many services, the need for which had precipitated the organization of local government in Canada's provinces, were early assumed and later continued by Newfoundland's central government. The dependence of the entire economy on fishing had prompted the legislature in the early 1830's to establish road building programmes as an able-bodied relief measure in bad years. Where roads were not built, the sea remained as the main avenue of communication. Education was historically the responsibility of the churches, and government subsidies were later administered by their appointed boards, although supplemented by local contributions. The central government, charitable institutions and wealthy individuals assumed responsibility for health services and for charity.

Eventually, the majority of Newfoundland's inhabitants became firmly convinced that the legislature was responsible for the provision of essential services, and could not see any reason why they should assume the financial burdens which it had taken upon itself. As a result, the civil service remained highly centralized and personal, the House of Assembly continued to be a forum for local problems, and the MHA's rather than municipal councillors were regarded as the instruments through which local services could best be obtained. It is well to remember, however, that prior to the establishment of executive dominance in financial matters, and before the modern municipal model was introduced, exactly the same attitudes prevailed in other British North American colonies.

St. John's was the first community where the need for some form of local government became obvious. The date of its incorporation, 1888, is significant because it marks the first occasion on which an elected body was established to manage local affairs in Newfoundland. The capital's early incorporation, its position as the seat of a highly centralized government, and its relatively large population combined to keep it and "all others" separate in treatment by the Island's legislature. An account of the development of local government does not involve the Island's other communities to any great extent until 1933.

Although the date of St. John's incorporation seems late when compared to that of other Maritime cities such as Saint John (1785), Halifax (1841), or even Charlottetown (1855), there was early local interest in the management of the town's affairs. Town assemblies were held as early as 1711, and were presided over by the commander-in-chief in charge of ships, forts and garrisons. The topics dealt with by these citizen groups included safety, collections for the church, the establishment of a police force, and the prevention of drunkeness and swearing. These early activities represent the first recorded attempts to make municipal regulations on the Island. The first official municipal regulations, however, which established the width of the town's streets, were not issued until 1818.

By the middle of the eighteenth century, control of the town was vested in the governor, whose main function was to promulgate rules regulating buildings and to adjust titles and claims. Following the establishment of representative government in 1832, the colonial legislature maintained direct control of municipal matters, but five years later this authority was delegated to the St. John's Road Commission. An initial attempt to form a municipal council was defeated in the colonial legislature in 1834, on the grounds that the central government should regulate local affairs. The governor, supported by several prominent factions, was reluctant to relinquish power to an elected body exercising even delegated authority.

The St. John's Water Supply Company was incorporated in 1846, and was empowered to levy a small tax on users of its services. A Board of Works was created in 1855, which together with the Water Company controlled all of the town's utilities until 1888. St. John's indicated that it was beginning to function as a town in its own right during the 1850's when its utilities boards and the legislature jointly allocated funds for a sewer system.

The capital was incorporated by an act of the colonial legislature and the newly-elected five-man council included two government nominees appointed to keep an eye on the colonial funds allocated for local expenditure. It acquired the power to impose and collect rates formerly levied by the Water Company, the Board of Works and the Volunteer Fire Brigade.

For the next twenty-five years, control of the city's affairs alternated between elected and appointed bodies. In 1898, a commission of three was appointed to replace the elected council, and in 1902 a council of seven was elected under a changed act. An appointed commission governed from 1914 until 1916 when a new council was elected.

In 1921, St. John's was incorporated as a city and received a new charter which consolidated all previous laws with reference to the city and which still functions as the fundamental *Act* for St. John's. The charter, an *Act* of the Legislative Assembly, provides for an eight-man council and a mayor, all to be elected at large. It outlines relatively limited municipal functions and responsibilities, for, unlike the practice in most other Canadian jurisdictions, the provincial government has retained control over the administration of justice, public health, social welfare, and in a unique manner, education. The province also administers and assumes the cost of the Newfoundland Constabulary (St. John's Police) and the St. John's Fire Department. It also supervises the city's financial affairs. The council requires the approval of the Lieutenant-Governor in Council, in most instances, to borrow money and to overspend its estimates, and its accounts are audited annually by the Auditor-General. The charter also establishes a city planning commission.

From the turn of the century onward, local affairs outside St. John's were largely administered by magistrates, aided by justices of the peace, who functioned as links between their districts and the central government. But the incorporation of St. John's was followed in 1890 by the extension of a measure of self-government to the rest of the Island. An *Act* providing for the *Administration of Local Affairs in the Outport Districts* empowered the Governor to declare that the legislation applied to a particular district. Under its provisions a district board was elected to control local roads, bridges, drains, and sewers, lighting, sanitation, and to prevent nuisances. Funds for the boards were provided by the central government; they were not raised from local sources. By the turn of the century, a considerable number of these boards had been created and were operating, although their chief concern was usually the construction of local roads. The boards were used by Sir William Coaker and his Fishermen's Protective Union as bases for agitation against the government in the early part of the century. (It may be noted that the "Bonavista Platform" adopted by the F.P.U. in December, 1912, demanded the establishment of democratically elected school and municipal authorities in all districts.) In any case, these bodies fell into disuse in the 1920's, when a system of local roads committees was set up. As before, the committees received all of their funds from government grants.

The first thirty years of this century constituted a virtual hiatus in the further development of local government institutions in Newfoundland. When the drive toward the establishment of municipal government finally began, the impetus came almost entirely from the central government. The first attempt to create and stimulate interest in local government was made by the Alderdice government in 1933 when it passed *The Local Government Act* empowering the Governor-in-Council to declare the inhabitants of any area to be a body corporate. But this legislation was strongly opposed, presumably because it provided for a tax on real property, as well as for poll and business taxes. In any event, Alderdice's administration had little opportunity to act on the legislation because in the following year, upon a decision of the British government, the elected government of Newfoundland was replaced by a Crown-appointed Commission of Government. Prior to the Commission's establishment, the British government had appointed a Royal Commission headed by Lord Amulree to investigate Newfoundland's economic situation. One of its recommendations was that local government should be instituted in the Dominion to contain the excessive individualism of Newfoundlanders, and to help them develop a sense of responsibility toward the raising and spending of taxes.

Five years later, the Commission of Government passed *The Local Administration Act*, which gave the Governor-in-Commission the power to create municipalities and to appoint councils for two-year terms, but again the sole tax provided for was the highly unpopular property tax. This effort proved to be futile as no requests for incorporation were received, and the Commission was understandably reluctant to create municipalities by compulsion. The Commission's next strategy was to announce a policy of subsidizing any community which sought to become incorporated, and to provide that following incorporation the Newfoundland government would pay

$1 on every dollar of local taxes collected up to $3,000; 50¢ on every dollar collected between $3,000 and $10,000; and 20¢ on every dollar collected over $10,000 and up to $100,000. Special grants were also offered to meet the capital costs of carrying out road reconstruction programmes. But even this policy proved to be an insufficient incentive to induce incorporation on any scale.

The limited success of its efforts to stimulate the growth of municipal institutions, however, prompted the Commission in 1942 to indicate that it would pass a special *Act* for each town as it became incorporated. The crucial difference between this policy and previous ones was that it would allow each town to specify the form of taxation that it preferred. This arrangement, in combination with the financial incentives, proved somewhat more successful than previous measures, for by 1943, three new towns had been incorporated.

The community of Grand Falls Station, an haphazardly developed and unplanned suburb of the unincorporated company town of Grand Falls, adopted its new name, Windsor, and established a Board of Management in 1938 when it became obvious that a population influx was creating unbelievably unhealthy living conditions. The Board consisted of an elected council of seven to serve a two-year term. Provision was made for the holding of an annual meeting for the presentation of reports and accounts, and for the expansion of building and sanitary controls. Windsor's *Management Act* was amended and consolidated by *The Town of Windsor Act* of 1942, which gave its council wider powers, and which made it the first town outside of St. John's to be formally incorporated. In that same year, an Act was passed incorporating Corner Brook West, another company town suburb, and in 1943 the town of Grand Bank, a major centre for the fishery on the Burin Peninsula, was incorporated.

The Second World War, the establishment of American air bases, and the Confederation campaign which followed, are events that constitute a watershed in the development of municipal government in Newfoundland. For the first time in the Island's history, the need for municipal controls and services was to become widely recognized as obvious.

The London Agreement of 1941, which authorized the United States to build bases at St. John's, Stephenville and Argentia, marked the start of defense activity which had an almost immediate impact on the Island. The war years brought full employment, rising prices and increased imports. Cash flowed through communities where it had previously been almost unknown, and the back of the antiquated credit or truck system was effectively broken. Centralization and urbanization began in earnest as people moved from small rural settlements to take advantage of the new opportunities for employment. The larger centres found themselves unable to cope with the problems which stemmed from their rapidly-growing populations.

The communities surrounding the new bases were among the first to feel the need for municipal controls. In 1941, an amendment was made to ***The Local Administration Act*** of 1931 which enabled the Governor-in-Commission to appoint the Commissioner of Public Health and Welfare to impose municipal controls on areas within fifteen miles of an American base. He could exercise most of the powers of a town council in areas adjacent to the Argentia and Stephenville bases (St. John's City Council assumed responsibility for the area surrounding the Pepperrell base), but he was not authorized to levy taxes. These orders were revoked after the war, and several communities in these areas eventually became incorporated.

A second amendment to *The Local Administration Act* provided for the Commissioner of Public Utilities to act in the place of a local council in an area surrounding an airport. In this way, municipal control was exercised in and around the Gander Airport. The Commissioner, like his counterpart for the American bases, was vested with all powers of a council except taxation. These orders were also rescinded after the war had ended.

The Commission's efforts to develop local government intensified during the war years. In 1944 a Local Government Division in the Department of Public Health and Welfare was organized and a Director of Local Government Affairs, Mr. Hermann Quinton, was appointed. Through the media of radio, press and public meetings, the policy of financial assistance was explained to audiences throughout the Island, not a few of them initially hostile. More than one local government organizer found himself hounded off the platform and out of the community. And not a few local leaders who favoured incorporation were subjected to threat and even physical abuse. But the intensive educational campaign evidently proved quite successful, aided as it was by the substantial changes resulting from the war. By 1948, Newfoundland had a total of twenty incorporated units. Five of these were imposing property taxes, and all others were collecting annual service fees ranging from three to ten dollars. Even so, there remained much room for progress as less than one-quarter of the Island's population was residing within incorporated areas.

The future of local government in Newfoundland became an issue in the Confederation battle which was waged in the late 1940's. Anti-confederates threatened to retard the new trend toward the growth of municipal institutions by resurrecting the old fear of compulsory taxation on real property. Like their forebears in the campaign of 1867, they direly prophesied that union with Canada would ensure such taxation, the end result being confiscation of house and land, and the Confederates were hard pressed to counter these claims.

The beginning of the confederation era found the new provincial government faced with a tight financial situation. It was apparent that municipal government was the logical instrument for raising the standard of services in Newfoundland's communities and for providing some of the necessary funds. Accordingly, to allay any fears of property confiscation, the government declared that the policy of the Commission of Government toward local government would not be materially altered, and emphasized that taxation on real property would not be compulsory. But it decided to discontinue the policy of special *Acts* for municipal incorporations because of the inconvenience caused by the long interval which existed between the petition for incorporation and the passage of the necessary legislation.

In 1949, the government passed *The Local Government Act*. When it was first enacted, this legislation created and governed all municipalities outside St. John's. (Corner Brook, at that time, did not exist in its present form.) All town councils which had previously been incorporated by special *Acts* were eventually incorporated under this new *Act*. It provided for a first council to be appointed, but this requirement was changed in 1956 to permit the initial election of town and rural district councils. *The Local Government Act* provided uniform powers of zoning, building control, water and sewer construction and maintenance, streetlighting, garbage collection, roads, planning and other local functions. An important feature distinguishing this *Act* from previous local government *Acts* of general application was that it permitted the municipality to choose its own forms of taxation. It did, however, impose tight financial and administrative controls over town and rural district councils. No other province in Canada, in fact, imposed such stringent central control over its local authorities.

The *Act* also provided for a new form of municipal unit, the local improvement district. An area could be declared to be an improvement district by the Lieutenant-Governor in Council, and a board of trustees would then be appointed. The board held all powers and duties of a town council, including the ability to tax. When the population of a district reached seven hundred and fifty, it could become a town if a majority of voters indicated their approval in a petition.

By 1952, it was evident that a suitable form of local government was needed for smaller communities — those with populations of five hundred and under. Accordingly, *The Community Councils Act* was passed which was intended to enable communities to provide only a few basic community facilities. This *Act* gave community councils fewer functions and fewer powers; it provided for only limited forms of taxation such as business taxes and service fees, and water and sewer and electrical rates.

It was and still is the policy of the provincial government regarding both *The Local Government* and *The Community Councils Act* not to force incorporation upon any community, for it was and still is realized that where a majority is opposed to such a measure the scheme has little chance of success. On occasion, the wisdom of this policy has been proved by experience. Opposition to the manner in which public opinion had been polled in Bonavista prior to its initial incorporation eventually led to its disincorporation as a town. Later, however, it did acquire corporate status. A second example was the rendering inoperative of the Bay de Verde town council by the residents after they discovered that its powers extended beyond the provision of a water and sewer system. In the case of *The Local Government Act,* a petition must be signed by one-half of the voters before a community can be declared a town or rural district. *The Community Councils Act* provides for incorporation only after a special meeting is held and incorporation is requested by one-quarter of the voters.

The post-Confederation years saw a continuation of many of the changes which had occurred during the war and the introduction of others that created a more favourable climate for the development of municipal government. The growth of the fresh fish industry, increased industrialization in other resource sectors, particularly mining, and extensive social assistance benefits both created the need for services and provided the means to obtain them. Communities became aware of the policy of financial assistance extended by the government and were willing to take advantage of it, especially after seeing the progress made by the communities which were already incorporated. As Newfoundlanders became more accustomed to direct taxation, the old dread of the property tax decreased, although even today this fear, particularly among older people, has not been completely eliminated.

By the mid-1950's, councils had been established in most communities which "could afford and benefit from them". In 1955, Newfoundland had a total of fifty-three municipal units, more than double the number which had existed in 1949: 44 towns, 6 communities, 1 local improvement district, 1 rural district and 1 city. Even so, the expansion of local government was to be much greater than the Local Government Division could foresee at that time, for it prophesied that Newfoundland would never have many more than forty towns, and today, in 1974, it has well over ninety. All municipalities in fact, now number just under 300.

The first years after the incorporation of some of the communities were difficult ones. In the towns of Grand Bank and Burin, potentially dangerous situations were created by anti-local government stalwarts who refused to pay their taxes and had to be hailed before magistrates. Public opinion was often on their side, and for a time violence seemed imminent. In other communities, apathy was prevalent, and few people proved willing to stand for election. Some of those who did were sorely tempted to resign when they found themselves the subject of bitter criticism by the town's residents and when they felt that they were receiving no co-operation from the citizens they were trying to serve. But most councils eventually settled down and began to concern themselves mainly with the provision of certain acutely needed basic services, many of which other Canadian municipalities had long taken for granted.

Their first priority was generally the construction and upgrading of local roads and the second was the construction and improvement of water and sewer systems. A close third was the purchase of fire-fighting equipment. The services, particularly the water and sewer lines, involved high capital costs which almost invariably could not be met solely out of locally raised revenues. Property taxes were often unacceptable to citizens, and in some instances financial difficulties were compounded by corporate exemptions. Some of these exemptions or special tax arrangements had been negotiated before the municipalities were established. In these circumstances, many communities found themselves turning to the provincial government and to the Department of Municipal Affairs for help.

Responsibility for local government affairs had in 1949 been transferred from the Department of Public Health and Welfare to the Department of Supply. The rapid pace of municipal incorporation and the resulting increase in their demands led to the creation of a Department of Municipal Affairs and Supply in 1952. The new legislation established a separate Municipal Affairs Branch and authorized the Minister to administer various *Acts* which governed municipalities and to assist them in carrying out their powers and duties.

The chief tasks of early local government administrators were to distribute descriptive literature about local government to various communities around the Island, to participate in public meetings called for the purpose of organizing municipal government, and to explain policies of financial assistance. These functions continued to be performed, mainly by the Local Government Division, but by the mid-1950's the situation had begun to change. Ever increasing numbers of incorporated communities started to demand new and improved services for their towns, as well as technical advice and assistance. This expansion in the number of municipalities meant that the functions of the department had to be correspondingly extended.

The department set up an assessment division which administered a system of real property assessment for all towns using the real property tax. The method of assessment adopted was that based on capital value, as distinct from the rental value used in St. John's. As a consequence, two separate assessment systems were soon in operation. The department also employed the services of professional engineers to conduct surveys, to prepare designs and estimates, and to supervise the installation of water and sewer systems. Later, it also acquired a small staff of professional planners to assist municipalities in the development of town plans.

Although for many years "progress" for many officials and politicians would be measured by the rate of incorporation, as early as the 1950's it was apparent to some that the expansion of certain services would never prove economically feasible for many communities. Together with the municipalities, the department found itself increasingly involved in working out methods of financing the extension of municipal services.

A significant development in local government affairs occurred in 1951, when the Newfoundland Federation of Municipalities was organized to "correlate the views of municipalities on matters of common interest, and to present a united front in relations with the provincial government". The Federation holds annual conventions, and the resolutions which are adopted at these meetings are presented to the government; over the years many such resolutions have been incorporated into government programmes. As the number of municipalities has expanded, so has the Federation's task of consolidating their viewpoints. The Federation now receives increased financial assistance from the government and maintains a small staff to undertake its executive and research functions.

A second important event was the formation of the Joint Council of the Burin Peninsula in 1952, later to be known as the Joint Town and Community Councils. This organization claims that its formation was a logical consequence of the common problems facing the Peninsula's incorporated units. The Joint Council organization has no statutory existence or authority, and cannot impose its decisions on any of its members. It cannot levy taxes and has few administrative functions, but rather is concerned with hammering out a common policy on topics of concern to the whole area. It attempts to insure that public works and services, for instance, are provided and located with a view to maximum utilization by the people of the area as a whole. The formation of the Burin Joint Councils is one of the most promising informal steps taken thus far toward the development of regional government on the Island. (A somewhat similar organization has been established in the Corner Brook - Humber Valley region. Its concern, however, is predominantly that of achieving an adequate planning and development control framework for the Humber Valley region.)

The local government movement in Newfoundland continued to gather momentum during the late 1950's and early 1960's. Towns such as Lewisporte and St. Lawrence commissioned detailed planning studies as necessary aids for future development. In 1955, the towns of Corner Brook East, Corner Brook West, Corner Brook Townsite and Curling amalgamated to form the province's second city. And in 1961, after fifty years of management by the Anglo-Newfoundland Development Company, and after ten years as a local improvement district, the company town of Grand Falls became incorporated as a town. In 1963, the St. John's Metropolitan Area Board was created. This body has minimal service functions. Until recently its funds were supplied solely by the provincial government. The Board is an appointed body exercising planning responsibilities and administering land-use and development control regulations in the areas adjacent to St. John's. It has no jurisdiction, however, within the city proper.

2. Recent Developments: A Summary

Statistical details relating to the growth of local government in Newfoundland are presented in the next chapter and in Appendix B, Table 2. By way of introduction, however, we observe that upon the establishment of the Department of Municipal Affairs and Housing in 1966, the Province had a grand total of 152 municipalities: 2 cities, 62 towns, 4 rural districts, 10 local improvement districts and 74 local government communities. By that year the proportion of the population living within municipal boundaries had reached 60 per cent. It is estimated that in 1974 this proportion has risen to over 75 per cent and that the number of municipalities has almost doubled.

Moving farther back in time, we note that in 1952 the size of Newfoundland's municipal budget was $2.5 million, of which $0.4 million (17.6%) was contributed by the Province. Ten years later, in 1962, the municipal budget had grown to $7.8 million, of which $2.6 (33.4%) was supplied by provincial government grants. The very rapid development of the municipal system since the latter year has produced the growth patterns shown in Table 1-1:

Table 1-1: Growth of the Municipal Budget, Number of Municipalities, Provincial and Municipal Populations, Newfoundland, 1962-1974

Year	Municipal Revenue (Own Sources)	Provincial Grants	Disposable Revenue	No. of Municipalities	Provincial Population	Municipal Population
		(thousand $)				
1962	5,220	2,614	7,834	105	470,000	230,000
1967	12,663	4,591	17,254	165	500,000	315,000
1972	25,545	9,500	35,045	255	532,000	395,000
1974	32,041	14,709	46,750	290	550,000	420,000

Source: Appendix B, Table 2

In the short space of thirteen years it is apparent that the number of incorporated units has nearly tripled, while the total disposable revenue available to municipalities from all sources has grown by almost six times. Provincial participation in local finance has increased from $2.6 to $14.7 million.

Another and perhaps more significant indication of the recent pace of municipal growth emerges when the total budget of local authorities is related to the combined provincial-municipal budget of the Province, on the one hand, and to the growth of Newfoundland's personal income on the other. (Personal income is an annual measure of all the money income accruing from all sources to all the residents of the Province.) As has been indicated, in 1962 the total disposable revenue available to municipalities amounted to $7.8 million, or 6.7 per cent of combined provincial-municipal net revenue (i.e., provincial gross revenue, *plus* municipal gross revenue, *less* provincial transfers to local authorities, namely $115.7 million). By 1972 this ratio had increased to 7.6 per cent, which indicates that the longer-term growth of the municipal budget has been somewhat greater than the corresponding increase in the provincial budget. In 1974, however, we project a combined provincial-municipal net revenue of $651.4 million, of which the municipal share will be almost $47 million, or only 7.2 per cent. This apparent decline in the relative weight of the municipal budget is obviously a consequence of the recent very rapid expansion of the provincial budget.

When both the municipal and provincial fiscal components are related to personal income flow patterns, the trends shown in Table 1-2 emerge:

Table 1-2: Combined Provincial-Municipal Net Revenue and Municipal Disposable Revenue as a Proportion of Personal Income, Newfoundland, 1962-1974

Year	(1) Combined Provincial-Municipal Net Revenue	(2) Disposable Municipal Revenue (million $)	(3) Personal Income	(1) as % of (3)	(2) as % of (3)
1962	115.7	7.8	462	25.0	1.7
1967	244.3	17.3	755	32.4	2.3
1972	461.3	35.0	1,310	35.2	2.7
1974	651.4	46.8	1,680	38.8	2.8

Source: Appendix B, Table 1. These estimates do not include as municipal revenue the cost to the Province of supplying city fire and police services.

Powered by high rates of economic growth and by continuing high levels of federal fiscal participation, the expansion of the Province's combined net budget in recent years has been very rapid. In thirteen years it has increased by 463 per cent. But the municipal component has grown even more rapidly, by an estimated 500 per cent. Whereas all provincial and municipal revenue activity in 1962 amounted to one-quarter of Newfoundland's personal income, this ratio is now edging upward to the high level of 40 per cent. The proportion of provincial income resources siphoned off for purely municipal purposes is relatively small but is growing very rapidly.

Municipal development in the non-fiscal sectors has been equally apparent in recent years. Since 1966, five Royal Commissions have been appointed to deal with different municipal problems. The city charters of St. John's and Corner Brook have been reviewed and amended. A revised legal framework for urban and rural planning was introduced in 1965 and adjusted in 1969. In 1973 regional planning appeal boards were established. Corner Brook's city plan has been amended and in 1970 the seven-volume Community Plan (Plan 91) was published for St. John's. The provincial planning office has prepared numerous municipal, local-area and regional plans for communities outside the cities. A St. John's metropolitan area municipal plan, covering the rapidly growing areas adjacent to the capital city, was approved in 1969. Even before its approval, however, a much broader federal-provincial, DREE-sponsored study on the St. John's Urban Region was undertaken. It sought a "comprehensive solution" to the problems facing the entire northeast portion of the Avalon Peninsula, a region with a rapidly growing population in over twenty scattered settlements, most of them without basic municipal services except roads, and all but a dozen then unorganized for local government purposes. This study, one of the most comprehensive planning documents ever prepared for any Canadian metropolitan region, was undertaken on contract. It was completed in January, 1973, and was published in March of that year. The government has subsequently appointed a Commission to work with municipal and community leaders toward a fundamental and long-overdue restructuring of local government in the St. John's urban region. A similar study is now in progress in the greater Grand Falls-Windsor region of Central Newfoundland. During 1973, finally, major studies were completed in the Stephenville-Harmon-Kippens region and in the Happy Valley-Goose Bay area. These latter investigations have led to the introduction of new and improved local government arrangements in those communities.

An important feature of recent municipal development in Newfoundland can be associated with the growth of federal and joint federal-provincial programmes. The Department of Regional Economic Expansion, from its inception in 1968 to January, 1973, committed a total of $173.5 million to Newfoundland by way of grants and loans. Of this amount fully $130.9 million was committed to "infrastructure" projects, including highway and school construction. But a substantial number of the DREE projects have had a direct impact on the municipal environment: industrial and residential public water and sewerage systems, land assembly activity, such as the new town near Donovans, industrial parks, engineering surveys and marine facilities, to mention only the most important.

Federal, provincial and intergovernmental housing and urban renewal programmes have also assumed a much greater significance than in former years. The federal and provincial governments, together with the St. John's Metropolitan Area Board, cooperated in a major rehabilitation of the Blackhead Road Area, now named Shea Heights. Central Mortgage and Housing Corporation, the Province and the City of St. John's have developed joint programmes for a renewal of the city's Mundy Pond area. Similar joint projects have been undertaken with respect to Corner Brook's Watson Road, Pier Road and Crow Gulch areas. The latter city's Elizabeth Street land assembly project, on the other hand, involved a good deal of cooperation between the City of Corner Brook and the Province's general housing agency, the Newfoundland and Labrador Housing Corporation. Some sixteen municipalities have also participated in the C.M.H.C. programme relating to sewerage treatment loans.

Finally, there are three other federal programmes which have contributed in some measure to recent municipal development: the Opportunity For Youth Programme, the Local Initiatives Programme, and, more importantly, the newly formulated Winter Capital Projects Fund. Launched in 1971, the second of these programmes has stimulated approximately 100 municipal projects annually in Newfoundland at a cost to Ottawa of from $3 to $5 million. The LIP scheme, however, was not designed primarily to assist local authorities; it was really intended to serve the federal government's larger economic stabilization objectives. Since its purpose was to increase employment opportunities, particularly during winter months, it necessarily sponsored many non-municipal projects. The same situation holds with respect to federal O.F.Y. activity. But the Winter Capital Projects Fund has a more direct municipal focus and resembles the old Municipal Winter Works Incentive Programme introduced in 1958 and terminated in 1968. From its recent inception until May, 1975, an estimated $12.1 million will be made available to Newfoundland's municipalities. Under this programme, locally designated capital projects in progress, through the period December through May inclusive, may have their total direct labour costs underwritten by a federal contribution. And selected projects involving work outside the months designated may be supported at a level of one-half their direct labour costs.

Important as they have been, and doubtless will continue to be, these federal and joint programmes have not provided the main stimulus to municipal growth in Newfoundland. The key to local development has been rather the complex system of financial grants, incentives and services that has been deployed by the Province in order to encourage maximum rates of incorporation. Since 1949 the centerpiece of provincial policy in this respect has been a revenue grant and a per capita roads grant. (These two basic support instruments will be shown later in this report to be biased in favour of the small-sized municipalities. Until quite recently, for example, the maximum revenue grant payable to any local authority in Newfoundland was $75,000; this maximum amount, however, was increased in 1973 to $100,000 per annum). During the decade of the 1960's, however, the government pushed ahead with a number of supplementary support programmes. These latter programmes have since 1971 surpassed in dollar value the original revenue and roads grants.

It is worth emphasizing once again that perhaps the most unique feature of the local environment in Newfoundland, is the fact — quite early recognized — that many communities badly in need of high cost water and sewerage services for public health reasons would never be able, within the framework of local taxation preferences and the revenue grant, to assume anything like the full annual interest and long-term capital repayment obligations inherent in most projects of this kind. In 1956, one of the earliest cases to be dealt with arose in the Town of Windsor, where an intolerably unsanitary and dangerous condition had developed. After a study of the various technical alternatives and their cost implications, the Province finally authorized a water and sewerage system for the town and agreed to pay it an annual subsidy of $75,000 toward the resulting high and long-term debt carrying charges so created. Similar decisions were taken with respect to other communities where the need was considered most urgent and where, as a *quid pro quo*, the local residents were prepared to subscribe a monthly flat-rate water tax or user fee. The criteria upon which need was determined, however, were never specified. Consistent with its basic policy described earlier in this Chapter, the Province did not require the municipalities requesting and receiving these subsidies to impose property taxes, although a small number of the larger towns were already using that levy. By 1967, some forty municipalities were receiving the water and sewerage subsidy and the annual rate of provincial participation in their budgets in some cases came to exceed 80 per cent. In the latter years, however, an attempt was made to place the subsidy programme on a more rational and less *ad hoc* footing. It is not obvious in retrospect that this attempt was successful. Possibly as many as sixty municipalities are now receiving water and sewerage subsidies. The cost of the programme has risen from $1.9 million in 1970-71, to an estimated $7.0 million in 1974-75.

Other fiscal support programmes were introduced during the 1960's. These include a 50-50 shared-cost street paving grant system instituted in 1964, terminated in 1968, and re-introduced in 1972. Over the years, some eighty municipalities have participated in shared-cost grants for the purchase of fire-fighting equipment. In 1971 a similar programme of grants for incinerators was introduced but has since been discontinued.

Beginning in the late 1960's, however, a new support trend emerged, and a system of discretionary, *ad hoc* special grants to municipalities, introduced initially in 1941 to deal with emergencies, had come to occupy a central position, together with the water subsidy, in the Province's municipal support structure. As far as can be ascertained, special grants were, in those years, intended as a compensatory device to equalize the supposed disparities existing among municipal units. But these grants were distributed in accordance with no known equalization formula. Almost all non-city municipalities, moreover, appear to have received benefits under the programme. In many instances special grants were used to subsidize both capital undertakings and normal municipal operating costs, notably debt repayment and carrying charges. The actual amount of special grants has fluctuated widely; through 1968 and 1969 they amounted to $1.7 million annually; in 1970-71 they fell to $0.3 million, in 1971-72 they rose to $1.9 million but fell again to $0.4 million in 1972-73.

St. John's and to a lesser degree Corner Brook do not come within the ambit of the support structure described above. Neither city receives a revenue or a road grant. St. John's has never been granted a water subsidy; but Corner Brook receives approximately $100,000 annually under that programme. The city grant to St. John's has rarely attained the token level of $60,000 but the city grant to Corner Brook is now $500,000. The Province's principal support to the capital city, apart from urban renewal and housing programmes, has traditionally taken the form of providing its police and fire services. It also underwrites the annual cost of Corner Brook's R.C.M.P. contract. In 1974-75 the estimated cost of these city police and fire services will reach $5.8 million, or some 24.6 per cent of city disposable revenue calculated in a manner to include the cost of those services. Total provincial support to the cities should thus approximate $6.4 million, or 27 per cent of the total cost of all city services. Provincial support for all non-city units should reach the level of $15.4 million, or 55.8 per cent of their total disposable revenue.

In addition to providing a growing range of technical services to municipalities (e.g., in the areas of community planning, engineering, budgeting and assessment), the Province traditionally has assisted local authorities in their borrowing programmes. Initially, a small amount was loaned directly by the government to municipalities but this practice was soon discontinued. Until the mid-1960's the Province invariably guaranteed municipal debentures and assisted local authorities in the market disposition of their issues. The principal amount of these guaranteed municipal debentures outstanding is currently in excess of $15 million. But this amount will steadily diminish as maturity obligations become due in future years. In 1964 the Newfoundland Municipal Financing Corporation was established. Shortly thereafter the government announced that, with the exception of St. John's, all future municipal borrowing would be undertaken through the Corporation. The capital required by the Corporation is obtained from time to time as part of the Province's normal borrowing programme. By 1974 the Corporation had purchased Newfoundland municipal debentures to the value of $29.4 million. Debenture terms vary from five to forty years at rates which range from 6¾ per cent to 9½ per cent. Associated with this centralized borrowing system is a programme under which the Province guarantees municipal bank loans for capital projects, usually for a two-year period, prior to the Corporation's purchase of debentures. In 1974 these guaranteed loans outstanding amounted to $35.5 million.

In this introductory chapter the Commission has directed its attention to the unique features of Newfoundland's history which have produced, in a relatively short span of years, the most distinctive municipal system in Canada. The pace of its recent development has been rapid and sustained; the direction of that development has obviously been influenced to some extent by Canadian municipal law and practice. But there are a great many features of emerging municipal institutional life and atmosphere in Newfoundland for which no equivalent can be discovered in any other North American or European jurisdiction. Because of the rapidity of its general development, and perhaps also because its evolving characteristics have never been the subject of systematic examination, Newfoundland's municipal system, in common with those of other provinces, has in recent years experienced increasing levels of stress. For rapid institutional growth has itself been taking place in an environment of increasing social change and uncertainty. It is toward an understanding of that environment that the Commission accordingly devotes the next four chapters of its report.

(a) Significant Events in the History and Recent Development of Municipal Government in Newfoundland

1634 • First of series of restrictive regulations against settlement issued.
1786 • Attack made on settlement through changes in Instructions.
1791 • Regular judicature is established.
1817 • First full-time governor is appointed.
1818-20 • Beginnings made in the development of secure land tenure.
1824 • Discriminatory laws against settlement and property are abolished.
1832 • Representative Government is established.
1834 • Bill to establish St. John's Town Council is defeated in Legislature.
1852 • Act passed providing for the collection of sewerage assessment in St. John's.
1855 • Responsible Government is established.
1863 • Harbour Grace Water Company is founded.
1884 • Carbonear Water Company is founded.
1890 • Local Roads Boards are established.
1893 • Placentia Water Company is founded.
1921 • St. John's is incorporated as a city: Legislature grants a new Charter.
1933 • Alderdice Government passes the Local Government Act.
1937 • Commission of Government passes the Local Administration Act.
1938 • First municipality outside of St. John's is created: The Windsor Board of Management.
1941 • London Agreement: U.S. leases bases in Newfoundland.
1942 • Policy of special act for each municipality incorporated comes into effect.
• Windsor is incorporated as a town, as is Corner Brook West.
1943 • Town of Grand Bank is incorporated.
1944 • Local Government Division is formed; a Director of Local Government Affairs is appointed.
1948 • 20 municipalities have been incorporated.
1949 • Confederation.
• Local Government Act is passed.
1951 • Newfoundland Federation of Municipalities is organized.
1952 • Community Councils Act is passed.
• Department of Municipal Affairs and Supply is established.
1953 • J. C. Crosbie's proposal for a County System of Government in Newfoundland.
1955 • City of Corner Brook is incorporated.

1956 • Local Government Act is amended to provide for the initial election of town and rural district councils.

1961 • Town of Grand Falls is incorporated.

1962 • Adoption of the City of Corner Brook Municipal Plan.

1963 • St. John's Metropolitan Area Board is established.

1964 • Newfoundland Municipal Financing Corporation is established.

1965 • New Urban and Rural Planning Act is enacted.

1966 • Department of Municipal Affairs and Housing is established.

1966 • Appointment of a Royal Commission on the City of St. John's Act.

• Appointment of a Royal Commission on Taxation and Revenue of the City of St. John's.

1967 • Dr. Stewart Fyfe's Review of Local Government in Newfoundland.

1969 • St. John's Metropolitan Area Municipal Plan is approved.

• Interim Report of the Royal Commission on the City of St. John's Act.

• Federal-provincial study of the St. John's Urban Region is begun.

1970 • Appointment of a Royal Commission to enquire into the accounting procedures followed by the Town of Bay Roberts during 1969.

• Publication of the St. John's Community Plan (7 volumes).

• Final Report of the Royal Commission on the City of St. John's Act.

1971 • Appointment of a Royal Commission of enquiry into the Blackhead Road Urban Renewal Scheme.

1972 • Report of the Royal Commission on Taxation and Revenue of the City of St. John's.

• Appointment of a Royal Commission on Municipal Government.

• Report of the Royal Commission on the Blackhead Road Urban Renewal Scheme.

• Appointment of Patterson Planning and Research Ltd. to study local government in the greater Grand Falls-Windsor area.

1973 • Publication of the federal-provincial St. John's Urban Region Study. (Proctor-Redfern Ltd. and Patterson Planning and Research Ltd.)

• Interim Report of the Royal Commission on Municipal Government: Local government in the Greater Stephenville Area.

1974 • Establishment of the new Town of Stephenville.

• Amalgamation of Town of Happy Valley and the Local Improvement District of Goose Bay.

(b) A Note on Historical Sources

In the preparation of its report the Commission has used a wide variety of source materials. We wish particularly to acknowledge the historical work of Mr. J. C. Crosbie, whose "Local Government in Newfoundland" appeared in the *Canadian Journal of Economics and Political Science*, Vol. XXII No. 3, August 1956, pp. 332-346. Also of value is Mr. C. W. Powell's "Problems Arising from the Lack of Organized Municipalities in Newfoundland", a paper presented at the first annual meeting of the Institute of Public

Administration of Canada, Quebec City, October 3-4, 1949. It was published in the Institute *Proceedings* (1949), pp. 168-182. A good deal of valuable information on the early development of municipalities is to be found in the *Report of the Royal Commission for the Preparation of the Case of the Government of Newfoundland for the Revision of the Financial Terms of Union*, together with its extended *Appendix*, St. John's, 1957. Mr. Crosbie's unpublished manuscript, "A County Government System for Newfoundland", was prepared in 1953; it constitutes the first and only attempt thus far made to develop a regional model of local government suitable for Newfoundland's conditions. Some reference to local government fiscal problems in the early years of Confederation may also be found in the *Report of the Royal Commission on Newfoundland Finances*, Ottawa, 1958, (The McNair Commission), and in H. J. Whalen's "Recent Municipal Fiscal Trends in the Atlantic Provinces," *Canadian Public Administration*, Vol. II, No. 3, September 1959, pp. 154-171. In 1967, Dr. Stewart Fyfe of Queen's University's Institute of Local Government presented a brief report on municipal problems in Newfoundland to the then Minister of Municipal Affairs and Housing. Although his report was completed on short notice and was never published, it does have historical value. There are, finally, some references of importance in Professor S. J. R. Noel's *Politics in Newfoundland*, Toronto, 1971.

Part II

The Environments of Municipal Affairs in Newfoundland

Chapter 2

Basic Goals, Legal and Demographic Environments

1. Basic Goals and Legal Environment

Like all human institutions, local authorities are perceived as being many-sided objects. They have emerged as practical adjuncts to government in virtually all states, whether unitary or federal, whether democratic or totalitarian; and they are found in all social systems, whatever their stage of development may be. The practice of local self-government has assumed a great variety of institutional forms, is of ancient lineage, and has been considered by some notable observers to be "coeval with man". Municipal life has for centuries been justified by many, and has been idealized by some, because it supposedly provides an institutional framework within which the citizen has both an opportunity and an incentive to:

(1) participate periodically in the selection of those persons who assume responsibility for and exercise authority in local public affairs;
(2) engage in political expression and exercise the freedoms of assembly and association;
(3) achieve some measure of equality through participation at the "grass roots" level in collective decision-making;
(4) assist in community improvement and in the provision of needed services;
(5) contribute a portion of the resources needed for local public services, some of which in a very direct manner increase the capital or market value of the citizen's own property;
(6) contribute to an actualization of the rights of privacy and silence, security of life and the free use of property;
(7) receive basic training in the "facts of political life" and "the art of the possible" which may prove valuable as a prelude to subsequent participation in either the provincial or national legislatures, or even in voluntary community associations;
(8) become better educated or socialized respecting community values, needs and expectations, and thereby achieve greater self-realization through leadership in the pursuit of common goals.

Beyond its capacity to provide these self-regarding benefits directly to individuals, local self-government has often been judged to offer an important aid in realizing the following collective objectives:

(1) fostering a heightened sense of community self-identity;
(2) providing an opportunity for central governments to delegate some of their responsibility and authority;
(3) developing an adequate system of political representation;
(4) maintaining some semblance of simplicity and directness in a sea of governmental complexity and impersonality by relying on institutions "attuned to the human scale";

(5) promoting the values of accountability, responsiveness and adaptability, due to an assumed superiority of local information and knowledge respecting community needs, demands and interests;

(6) fostering greater efficiency, innovation and effectiveness in the delivery of certain kinds of public services;

(7) tempering the harsher dictates of administrative practice based upon cost-effectiveness criteria, with more humane requirements of public service and welfare values.

The latter two benefits are frequently emphasized in view of the increasing scope, scale, complexity, specialization and remoteness of modern public administration. Intricate specialization in the organization and operation of central government departments, for example, is a clear prerequisite of efficiency. Yet, in the case of certain services, pursuit of strategies that are rational in managerial terms often leads to serious problems at the end of the administrative line or at the point of consumption. Frequently this happens because people do not live in the ordered categories of administration; they live in communities. Given the quest for efficiency, there is hence a need at the level of individual communities, or possibly within a system of suitable regions, for some appropriate co-ordinating function. Even in advanced technological societies, therefore, the "genius of place" will assert its claim.

We do not wish to convey the impression that the many benefits summarized above are always realized in the practice of local democracy. There are, it is true, many negative features inherent in municipal affairs. But because their practical role as adjuncts to large-scale democratic government is widely considered to be both useful and legitimate, municipalities are encouraged to develop a mature, efficient, self-reliant and independent status as public agencies. Yet in a strict legal sense they are not and can never become autonomous bodies.

In the Canadian political tradition, for instance, the municipal structure of any province may be altered, and the powers of its local authorities added to or subtracted from, at the discretion of the legislature. Because all of their powers are in a technical sense delegations of some of the authority allocated by the constitution exclusively to the Province, municipal bodies must confine their activities strictly to those areas explicitly prescribed for them by statute. The manner in which municipal authority is exercised, moreover, must conform with all statutory requirements respecting procedure. Every one of the ten major municipal systems in Canada, for these reasons, has a complex legal framework that controls its operations and that reflects the history, traditions, values and expectations of the larger provincial community in which it has evolved.

Each of these legal frameworks provides — in elaborate and formal detail — for the establishment, election and organization of different categories of municipal councils, for their authority to levy taxation in the different forms and to borrow money on the local public credit, for their operating procedures and routine administrative practices, and for their diverse programme activities: spending, providing the needed facilities, managing, licencing, regulating and expropriating. Because the world of public affairs has grown so interdependent, and because local governments are very numerous and differ substantially in such matters as population size, territorial extent, resource endowment and basic needs — and because, at bottom, the Province must provide increasing local fiscal support and assume full responsibility for its legal creatures — municipalities have increasingly been subjected to central administrative stimulation, regulation and control.

The basic framework of law relating to the organization and operation of local authorities in Newfoundland is found in five statutes. First, there is *The City of St. John's Act* (R.S.N., 1970, Chapter 40), an old statute with 409 sections, many of which have been subjected to frequent amendment over many years. (This *Act* is now badly in need of a thorough revision.) Second, there is *The City of Corner Brook Act* (R.S.N., 1970, Chapter 39), a new statute which recently consolidated the previous law and which contains 173 sections. Third, there is *The Local Government Act* (1972, No. 32) which provides for the establishment and administration of local government in all towns, local improvement districts and rural districts. This legislation was enacted in 1966. Fourth, there is *The Community Councils Act* (1972, No. 31) which provides for the establishment and operation of local government communities. This *Act* has only 47 sections; it replaces previous legislation enacted in 1962. Finally, there is *The Department of Municipal Affairs and Housing Act* (1973, No. 28) which assigns to the Minister of Municipal Affairs and Housing and his officials their legal powers and administrative authority. This *Act* has 45 sections; it replaces legislation enacted in 1966.

Under Schedule A of this latter *Act*, the Minister is charged with administration of the following statutes:

1. The Assessment Act.
2. The Assessment (Validation) Act, 1959.
3. The Botwood Water Corporation Act, 1952.
4. The Building Standards Act.
5. The Carbonear Fire Brigade Act.
6. The Carbonear Water Company Act, 1884-1952.
7. The City of Corner Brook Act.
8. The City of St. John's Act.
9. The City of St. John's (Agreement) Act, 1952.
10. The City of St. John's (Development) Act, 1964.
11. The City of St. John's (Loan) Act, 1956.
12. The City of St. John's (Loan) Act, 1958.
13. The City of St. John's (Loan) Act, 1966.
14. The City of St. John's (Loan) Act, 1969.
15. The City of St. John's (Loan) Act, 1971.
16. The Community Councils Act, 1972.
17. The Condominium Act.
18. The Corner Brook Housing Corporation Act.
19. The Crown Corporations (Local Taxation) Act.
20. The Development Areas (Lands) Act.
21. The Family Homes Expropriation Act.

22. The Harbour Grace Water Company Acts, 1863-1952.
23. The Harmon Corporation Act, 1966-67.
24. The Housing Act.
25. The Town of Jerseyside Boundaries Act, 1963.
26. The Larkin's Pond Reservoir Act, 1956.
27. The Local Authority (Control of Expenditure) Act.
28. The Local Government Act, 1972.
29. The Local Government (Elections) Act.
30. The Local Government (Receivership) Act.
31. The Newfoundland and Labrador Housing Corporation Act.
32. The Nuisances and Municipal Regulations Act.
33. Rural District of Placentia (Amendment) Act, 1953.
34. The St. John's Housing Corporation Act.
35. The St. John's Housing Corporation (Lands) Act.
36. The St. John's (Metropolitan Area) Act.
37. Cap. XIV of 23 & 24 Geo. V (1933).
38. St. John's Municipal (Loan) Act, 1953.
39. St. John's Municipal (Loan) Act, 1944.
40. The Town Council Bond Guarantee Act, 1951.
41. The Urban and Rural Planning Act.
42. Water and Sewerage Corporation of Greater Corner Brook Act, 1951.

The Minister of Municipal Affairs and Housing, by authority assigned in these statutes, is vested with a wide range of "powers, functions and duties" which extend to "the supervision, control and direction of all matters relating to" municipal affairs and local government, housing (exclusive of rent control), urban and rural planning and development, and a number of collateral matters. Some of these latter powers enable the Province, through the Minister, to engage directly in local projects. Section 17 (i) of *The Department of Municipal Affairs and Housing Act*, for example, reads as follows:

> "Subject to the approval of the Lieutenant-Governor in Council and to the provisions of the Department of Provincial Affairs and Environment Act, 1973 and regulations and orders made under or pursuant thereto, the Minister may by himself or through some body approved by the Minister, construct, take over, operate or manage such waterworks as it may be in the public interest to construct, take over, operate or manage, and the Minister or such body approved by the Minister shall have all powers for or incidental to such construction, taking over, operation or management, including without limitation of the foregoing, powers to set such user charges as he or it considers desirable and charge and collect from any municipal authority or person such user charges, which user charges may be set at a uniform rate or at different rates for different types of use or for different municipal authorities or persons, and for the purposes of this section "municipal authority" includes the City of St. John's."

In addition to the normal executive powers given to all ministers in the various departmental statutes, the Minister of Municipal Affairs and Housing is assigned the following specific duties.

(1) The appointment and supervision of municipal inspectors, whose primary responsibility is to insure that all departmental regulations concerning municipal bookkeeping, accounting, recording and auditing are carried out by the officers of every municipal authority.

(2) Monitoring, if necessary, the transactions between banks (or similar institutions) and municipal units.

(3) Subject to the approval of the Lieutenant-Governor in Council, dismissing any municipal council, or any member of any municipal authority, if he is satisfied (after having received a report from an inspector) that the affairs of the authority in question have been managed "in an irregular, improper or improvident manner".

(4) When a dismissal order is issued, the Minister may order the holding of new elections, or he may order the appointment of municipal officers.

(5) When a dismissal order is issued, the Minister may subsequently appoint by order either an Official Administrator or a Commission of Administration (3 persons) who will thereafter assume all the powers of the municipality in question.

(6) When either an Official Administrator or a Commission has been appointed, the Minister may subsequently terminate the appointment and order the holding of elections.

(7) During the tenure of their appointments, Official Administrators or Commissions are subject in all respects to the Minister's direction.

These powers, or authority very similar to them, are commonly conferred upon all ministers of municipal affairs in the provinces of Canada. They do not constitute, therefore, a distinctive feature of Newfoundland's system of municipal law.

Additional powers conferred upon the Minister of Municipal Affairs and Housing include the following: the settlement of intermunicipal disputes; the appointment of any required "boards, committees or councils"; the making and publication of departmental regulations; the prescribing of penalties for contravention of, or failure to comply with, such regulations; the prescribing of standard "systems, books and forms" for the different categories of municipal authorities; the acquisition and disposition of property; and the expropriation of certain properties.

Ministers of departments other than Municipal Affairs and Housing, and in many instances the Lieutenant-Governor in Council, are given the authority in a great number of statutes not listed above to supervise, control or regulate the activities of local authorities. As an example of this aspect of municipal regulation we cite section 14 of a recent enactment "Respecting the Disposal of Waste Material" (1973, No. 82). In this instance the Minister referred to is the head of the Department of Provincial Affairs and Environment:

> "Where the Minister reports in writing to the clerk of a Council that he is of the opinion that it is necessary in the public interest that waste material be collected or a waste management system or any part thereof be established, maintained, operated, improved, extended, enlarged, altered, repaired or replaced, the Council shall forthwith do every possible act and thing in its power to implement the report of the Minister within the time specified."

Similar powers are conferred upon other Ministers by a great many provincial statutes. We make no attempt here to summarize the nature and range of these powers; again, they are a common feature in all Canadian jurisdictions and are in no manner peculiar to Newfoundland.

The distinctive feature of the municipal system in this Province, however, is to be found in the extremely broad scope of authority vested in the Minister of Municipal Affairs and Housing to make regulations under Section 23 of the departmental statute, and in a great many sections of *The City of Corner Brook Act*, *The Local Government Act*, and *The Community Councils Act*. In its analysis of the latter two statutes, for instance, the Commission has found that the frequency of action required of either the Minister or of the Lieutenant-Governor in Council, or of both, is excessive in relation to comparable municipal legislative requirements in the other provinces of Canada. It is believed that the overly elaborate control structure found in Newfoundland is a consequence of the unique circumstances that have prevailed in the relatively recent and extremely rapid development of local government institutions. Under the departmental statute, for instance, the Minister's powers to regulate local authorities are set out in no less than thirty-nine heads. In *The Local Government Act* and *The Community Councils Act*, provincial government executive action or approval is required as shown in Table 2-1:

Table 2-1: Number of Ministerial or Cabinet Actions or Approvals required under the Local Government Act, 1972, and the Community Councils Act, 1972

	Number of Sections in Act	Actions or Approvals Required of Minister	Actions or Approvals Required of Lt.-Governor in Council	Total
Local Government Act	146	69	27	96
Community Councils Act	47	19	4	23
TOTAL	193	88	31	119

It is apparent that, on the average, every second section of these acts provides for some kind of central executive action. Furthermore, all municipal annual budgets in Newfoundland require prior ministerial approval, a procedure not generally followed outside of this Province. The imposition of all the important taxes that are assigned by statute to municipalities requires prior executive approval as well. *The Local Government Act*, which governs all the principal non-city municipalities, empowers local authorities to enact regulations in the following areas:

(1) garbage disposal;
(2) numbering of buildings and the naming of streets;
(3) control of well construction;
(4) control of animals;
(5) control of privies, cesspools and septic tanks;
(6) safety of water supplies;
(7) control of ditches, drains, and culverts;
(8) abatement of public nuisances;

(9) registration and licensing of plumbers;
(10) control of dogs;
(11) regulation and licensing of restaurants;
(12) regulation of food distribution;
(13) inspection of sanitary conveniences in commercial-industrial establishments;
(14) regulation of the location, height and description of fences;
(15) prevention of injury to local public property (streets, squares, etc.);
(16) control of street reservations and road improvement areas;
(17) removal of obstructions from reserved areas;
(18) prohibition of disorderly driving on roads;
(19) regulation of coasting, sliding, skating on ice or snow;
(20) control of bicycle use;
(21) control of ballast disposal;
(22) regulation of hydro and telephone poles;
(23) regulation and licencing of taxis;
(24) control of signs, signboards, boardings and other outdoor advertising devices;
(25) closing hours of business establishments;
(26) traffic and parking control;
(27) regulation of tourist establishments;
(28) location of cemeteries;
(29) control of vehicles engaged in sale of food or goods;
(30) use of municipal airstrips or airports;
(31) children's curfew;
(32) regulation of other matters designated by the Minister.

The legal adoption of regulations in any one of the above areas, in any one of the more than 160 towns, rural districts or local improvement districts of Newfoundland, requires prior approval of the Minister of Municipal Affairs and Housing. This measure of municipal control is not encountered outside the Province. To some degree, moreover, it appears to be inconsistent with the traditional government policy of permissiveness respecting the initial incorporation of communities and their use of the real property tax, as noted in the previous chapter. It is recognized that the existence of these extensive statutory controls may not interfere unduly in practice with municipal operations; but it is possible to question the utility of such an elaborate legal control framework, given the longstanding objective of developing an independent, efficient and mature local government system throughout the Province. We deal at a greater length with this and other basic questions in later chapters of the report.

A second distinctive aspect of Newfoundland's municipal system is the relatively undifferentiated nature of its structure. There are, for example, no "second-tier" local authorities in the Province comparable to the new metropolitan establishments, the new urban-centered regions and the traditional counties in Quebec and Ontario. Nor, in rural areas, is there any equivalent of British Columbia's recently established regional districts. Although *The Local Government Act* authorizes the creation of rural districts, some eight of which are now incorporated, Newfoundland has not yet evolved a system of territorially extended rural local administration comparable to, say, the municipalities of Nova Scotia, the parishes, townships and united townships of Quebec, or the municipal districts and counties of Alberta.

In contrast to its sister provinces, furthermore, Newfoundland has come to rely much more heavily on so-called quasi-municipal units of local administration. These organizations, styled respectively local improvement districts and local government communities, are the equivalent of Manitoba's local government districts, the improvement districts of Ontario and Alberta and the hamlets of the Northwest Territories. Our local improvement districts, of which nearly fifty-five have been incorporated, fall under the management of provincially appointed boards of trustees; they are therefore not full-fledged, democratically elected municipal governments, although the scope of their powers is identical with that given to incorporated towns and rural districts. The community councils, on the other hand, are elected bodies exercising only a rudimentary municipal service responsibility. It is of some interest that Canada has only little more than 300 of these quasi-municipalities, of which nearly 180 are found in Newfoundland.

Still another distinguishing feature of Newfoundland's municipal system is a virtual absence of the many municipal "special purpose" agencies (separately elected school boards, electric, water, sewer and transportation utility commissions, and the sundry planning, housing and conservation boards) so common on the mainland. Newfoundland does indeed have its denominational school boards; but they do not, as in most other provinces, requisition any part of their financial requirements from the proceeds of *municipal* taxation as such. The few transportation, recreation and other commissions that do exist at the local level are generally agencies with appointed boards. Since they are not elected bodies with separate statutory powers, they do not tend to enter into competition with municipal governments. For this reason, the highly detrimental fragmentation of municipal authority so frequently encountered in other jurisdictions has not emerged in Newfoundland.

The delegation of municipal functions in Newfoundland, finally, is confined essentially to the provision of services that are directly beneficial to local communities and to property. Municipalities in Canadian provinces other than Prince Edward Island and New Brunswick, for instance, have traditionally been assigned major responsibilities in regard to the administrative aspects of education, public welfare, highways and roads, public health and the administration of justice. (In some Western provinces local authorities are even engaged in resource programmes such as weed control and tree-planting). In these latter service areas, the benefits have a much broader impact on persons, and are less specific to place and to property. For historical reasons, this pattern has not developed in Newfoundland; and that fact is of crucial importance in municipal affairs generally and in municipal finance in particular.

In stressing its unique structural and control features, the Commission wishes to dispel any notion that the municipal system of Newfoundland can be reformed or improved simply through the mechanical adoption of legal formulae and functional models that have emerged and worked well in some other provinces. In preparing this report, we have conducted a thorough review of local government in all Canadian provinces. The results of that comparative survey have served to highlight the similarities and differences in evolving municipal practice. It has shown that legislative provisions in Newfoundland respecting such matters, for instance, as the conduct of local elections, the assessment of real property in units outside of St. John's, incorporation procedure, the structure and working of councils, prescribed local administrative practices, and some features of the local fiscal system (e.g., the prohibitions on municipal deficits and on debt defaults) — it has shown that in all these areas our general legislative rules tend to be very similar to those currently in use on the mainland. In many other important aspects, however, the basic differences remain, and the external models were thus of little help in suggesting ways of dealing with the accumulation of existing municipal problems. Many of those problems, it has appeared to us, required remedial action or policy departures whose design could not be discovered through comparative enquiry. Accordingly, most of the recommendations presented in later chapters will be seen to have no counterpart in existing Canadian municipal law or administrative practice.

2. Demographic Environment

(a) *Growth Pattern*

When it first became a province of Canada, Newfoundland had rather more than 300,000 people. On June 1, 1974, its population is projected to have reached 550,000. In the years immediately following Confederation, the Province experienced very large rates of annual population growth. These rates, indeed, surpassed those attained in all other provinces and exceeded the national average rates of population increase. By 1965, however, this pattern had changed. In the nine-year period from 1965-1973, Newfoundland's annual rate of population growth has been *below* the Canadian average on no fewer than six occasions; and in one year (1969) its growth equalled that which was recorded for Canada as a whole. (A comparison of Newfoundland and Canadian population trends since 1962 is provided in Appendix A, Table 1.)

In the first census taken after Newfoundland joined Canada, the Province's municipal system was shown to consist of the City of St. John's, with a population of 52,873, and 24 additional municipalities with a combined population of 50,228. The city and non-city components of the municipal system in 1951 thus included only 103,101 persons, or about 29 per cent of the total provincial population estimated at 361,000. What would a few years thereafter become the City of Corner Brook then comprised three separate non-city municipal units: Corner Brook East (3,445), Corner Brook West (6,831), and Curling (3,599). A decade later, in 1961, two cities and approximately 95 additional municipalities were in operation. When the census was taken during that year, Newfoundland's city population had reached 99,985, while the residents in all other municipalities numbered 112,015. Total municipal population was thus 212,000, or some 46.3 per cent of overall provincial population estimated at 458,000. By 1971, the city population had reached 114,411, and an estimated 268,733 persons were reported in 221 non-city municipalities. By the latter year, accordingly, the proportion of the provincial population (522,104) within municipal boundaries (383,144) had reached 73.3 per cent. The growth of the Newfoundland municipal system has continued to be very rapid since 1971. The Commission estimates that at present there are nearly 300 incorporated units in the Province. These municipalities now contain about 80 per cent of the entire population.

In the paragraphs that follow we deal separately with population characteristics of the incorporated and unincorporated communities of Newfoundland. There is also brief reference to the communities that have been abandoned since 1966. Readers will find in Appendix K of this report a detailed listing of these unincorporated and abandoned communities. The total number of units identified in this survey approximates 960.

(b) *Incorporated Communities*

There were, we have said, 223 municipalities operating in 1971. Since that year, however, more than 50 new incorporations have been approved by government: namely 18 towns, 17 local improvement districts, 3 rural districts, and 13 local government communities (to June 30, 1973). Using 1971 population data, but taking into account the post-census incorporations, we estimate the following regional distribution of Newfoundland's municipal population, as shown in Table 2-2:

Table 2-2: Newfoundland Municipal Population, 1971 and 1973, by Census Division (1971 Population Estimates)

Census Division	Municipal Population (1971)	% of Total	Municipal Population (Current)	% of Total	Total Population
1. Avalon Peninsula	165,586	77.2	179,895	83.9	214,378
2. Burin Peninsula	20,552	75.1	22,817	83.5	27,320
3. South Coast	18,040	73.4	20,387	83.2	24,516
4. St. George's Bay	17,360	61.3	17,178	60.6	28,350
5. Humber Valley	36,544	81.4	41,124	91.6	44,879
6. Central Nfld.	35,744	89.2	37,330	93.1	40,089
7. Trinity-Bonavista Bays	24,524	60.4	27,469	67.7	40,576
8. Notre Dame-Green Bays	28,776	56.8	33,259	65.6	50,690
9. Northern Peninsula	16,027	69.3	16,353	70.7	23,140
10. Labrador	21,021	74.6	21,402	76.0	28,166
TOTAL	383,144	73.4	417,214	79.9	522,104

Source: Statistics Canada, 1971 Census Data.

It is clear that while the recent very rapid rate of incorporation has been widespread, its impact has been most apparent in the Central and Humber regions where, as indicated above, more than 90 per cent of the total population now resides within municipal boundaries. In the Avalon, Burin and South Coast regions, nearly 85 per cent of the population has achieved municipal status. Slower long-term rates of incorporation are apparent in the Labrador and Northern Peninsula regions (70-76%), and in the East and Northeast Coast regions (65-68%). The St. George's Bay region, it is observed, has experienced the slowest rate of incorporation.

The population of Newfoundland's two cities in 1971 was estimated at 114,411, or some 27.4 per cent of the total municipal population. In 1971 the City of St. John's had a population of 88,102; between 1966 and 1971 its population grew by 10.1 per cent. The City of Corner Brook had a population of 26,309; but during the intercensal period its population declined by 3 per cent.

As at June 1, 1973, there were 93 towns in Newfoundland. The population size and growth characteristics of these municipalities are summarized in Table 2-3:

Table 2-3: Size and Growth Characteristics of 93 Newfoundland Towns, 1966 and 1971

					Pop. Change 1966-71			
Size Groups	**No. of Towns**	**%**	**Total Pop.**	**%**	**No. Growing**	**%**	**No. Decl.**	**%**
Below 1,000	34	36.6	24,711	12.9	18	52.9	16	47.1
1,000 - 1,999	27	29.0	37,644	19.7	24	88.9	3	11.1
2,000 - 2,999	14	15.1	33,083	17.3	12	85.7	2	14.3
3,000 - 3,999	4	4.3	14,847	7.8	4	100.0	0	0
4,000 - 4,999	7	7.5	32,513	17.0	6	85.7	1	14.3
5,000 - 5,999	2	2.2	11,363	5.9	1	50.0	1	50.0
6,000 - 6,999	1	1.0	6,644	3.5	1	100.0	0	0
7,000 and above	4	4.3	30,406	15.9	4	100.0	0	0
TOTAL	93	100.0	191,211	100.0	70	75.3	23	24.7

Source: Statistics Canada, Census Data, 1966 and 1971.

It is abundantly clear that Newfoundland's towns are, by Canadian standards, predominantly small in size. Only seven units, in fact, have populations in excess of 5,000. Two towns (Bay L'Argent and Greenspond) have 453 and 449 residents respectively; two towns (Gander and Stephenville) have 7,748 and 7,770 residents respectively. Average town population is only 2,056. This demographic pattern has important implications for local government which are examined in later chapters. No other municipal system in Canada displays such an imbalance in its population characteristics. Indeed, few municipal systems will authorize town status for units as small as many of our towns. We note, however, that fully three-quarters of the incorporated towns experienced some population growth between 1966 and 1971. Units recording net population losses are concentrated heavily in the smaller size groups, particularly in the category of towns under 1,000.

There are at present 8 incorporated rural districts in Newfoundland. Like most of the towns, these units have small populations. The smallest unit (Mortier - Fox Cove) has 422; the largest (Halfway Point - Benoit's Cove) has just over 2,000. The average size of rural districts is 1,122. Between 1966 and 1971, five of these municipalities experienced some population growth while three reported a net population loss.

Among Newfoundland's quasi-municipal units there are no less than 52 local improvement districts. One of these districts (Lawrence Pond) is essentially a community of summer residents. For this latter unit, and for two others (Hogan's Pond and Massey Drive), the Commission could obtain no official population estimates. The 49 remaining districts, however, range in size from 178 (Northern Arm) to 7,622 (Labrador City). The general size and growth patterns of these units are detailed in Table 2-4:

Table 2-4: Size and Growth Characteristics of 49 Newfoundland Local Improvement Districts, 1966 and 1971

Size Groups	No. of LID's	%	Total Pop.	%	Population Change, 1966-71 No. Growing	%	No. Decl.	%
Below 500	19	38.8	8,203	15.6	11	57.9	8	42.1
500 - 999	21	42.9	16,083	30.5	16	76.2	5	23.8
1,000 - 1,999	5	10.2	7,081	13.4	3	60.0	2	40.0
2,000 and above	4*	8.1	21,299	40.5	4	100.0	0	0.0
TOTAL	49	100.0	52,666	100.0	34	69.4	15	30.6

Source: Statistics Canada, Census Data, 1966 and 1971.

*includes Conception Bay South, with a population in excess of 7,500, which became a town subsequent to completion of this population study.

It is evident that population disparity is more pronounced among local improvement districts than among towns. Indeed, only eight districts exceed 1,000 in size and the group average is 1,075. As with the towns, however, net population loss tends to be strongly associated with small size. But the Commission notes that nearly three-quarters of the local improvement districts report population increases.

There are, finally, at least 123 local government communities in Newfoundland, a few of which are inactive. The Commission has obtained official population information on 119 of these units. Their demographic characteristics are summarized in Table 2-5:

Table 2-5: Size and Growth Characteristics of 119 L.G. Communities in Newfoundland, 1966 and 1971

Size Groups	No. LGC's	%	Total Pop.	%	Population Change, 1966-71 No. Growing	%	No. Decl.	%
Below 500	85	71.4	24,921	49.8	51	60.0	34	40.0
500 - 999	33	27.7	23,535	47.0	25	75.8	8	24.2
1,000 & above	1	0.9	1,595	3.2	1	100.0	0	0
TOTAL	119	100.0	50,051	100.0	77	64.7	42	35.3

Source: Statistics Canada, Census Data, 1966 and 1971.

It seems clear that on the average local government communities tend to be our smallest quasi-municipal units. They range in size from seven (Wood's Island) to 1,595 (Cape St. George); their average population in 1971 amounted to only 421. A substantial number of these small units, it will be observed, have populations that in some degree have been increasing. But, taken as a whole, they display the weakest growth pattern among all municipal categories.

(c) *Communities Unorganized For Municipal Purposes*

The Commission has identified approximately 550 presently unincorporated communities in the Province and has examined their location and population characteristics. Taken together, these communities contained an estimated 104,890 residents in 1971, or some 20 per cent of the total provincial population. Their areal distribution, number, and 1971 population levels are found in Table 2-6:

Table 2-6: Number, Population and Average Size of Unincorporated Communities in Newfoundland, by Census Division, 1974 (1971 Population Estimates)

Region	No.	Total Pop.	Average Size
1. Avalon Peninsula	134	34,482	259
2. Burin Peninsula	31	4,503	145
3. South Coast	23	4,129	180
4. St. George's Bay	56	11,172	200
5. Humber Valley	20	3,755	188
6. Central Newfoundland	7	2,759	394
7. Trinity-Bonavista Bays	76	13,107	172
8. Notre Dame-Green Bays	88	17,431	194
9. Northern Peninsula	63	6,787	107
10. Labrador	54	6,765	125
TOTAL	552	104,890	190

Source: Statistics Canada, Census Data, 1971.

The greatest concentrations of population in unincorporated communities are found on the Avalon Peninsula (32.9%), the East and Northeast Coast regions (29.1%), and the St. George's Bay area (10.7%). Relatively smaller concentrations are located on the Burin Peninsula (4.3%), the South Coast (3.9%), the Great Northern Peninsula (6.5%), and in Labrador (6.4%). The Humber Valley and Central regions have much smaller proportions of 3.6 and 2.6 per cent respectively. The relatively high average unit size recorded in the Central region can be attributed to the inclusion of a single, large unorganized community (Buchans) among its seven units; as a general rule, our unorganized communities tend to be larger in the Avalon, St. George's Bay and Northeast Coast regions. The highest incidence of small communities, at the other extreme, is found in the Northern Peninsula and Labrador Regions. A clearer indication of the relationship between location and unincorporated community size can be seen in Table 2-7:

Table 2-7: Distribution of Unincorporated Communities by Census Division and Size Group, Newfoundland, 1974 (1971 Population estimates)

Region	0-199	200-399	400-599	600-999	1,000 +	Total
1. Avalon Peninsula	77	35	6	12	4	134
2. Burin Peninsula	23	7	1	0	0	31
3. South Coast	17	5	0	1	0	23
4. St. George's Bay	37	16	2	0	1	56
5. Humber Valley	11	6	3	0	0	20
6. Central Newfoundland	4	2	0	0	1	7
7. Trinity-Bonavista Bays	55	15	4	2	0	76
8. Notre Dame-Green Bays	51	31	4	2	0	88
9. Northern Peninsula	51	12	0	0	0	63
10. Labrador	50	2	1	0	1	54
TOTAL	376	131	21	17	7	552

Source: Statistics Canada, Census Data, 1971.

The Commission notes that only 24 communities in the Province with populations in excess of 600 remain to be incorporated. Fully two-thirds of these larger units are located on the Avalon Peninsula. Unincorporated communities, accordingly, are concentrated heavily among the very small-sized groups: 0-199 (68.2%); 200-399 (23.7%); 400-599 (3.8%); and 600 and above (4.3%).

Our examination of the 552 unincorporated communities indicates that between 1966 and 1971 more than half of them (283) grew in size. A smaller proportion (259) declined in population, while fewer than 10 units experienced no change in size. The relationships among location, population size and population growth are indicated in Table 2-8:

Table 2-8: Population Growth in Unincorporated Communities, 1974, by Size Group and Region (1966 and 1971 Population Estimates)

Region	0-199	200-399	400-599	600-999	1,000 +	Total
	No. %	No. %	No. %	No. %	No. %	No. %
1. Avalon Peninsula	76 (53)	35 (54)	6 (50)	12 (83)	4 (75)	133 (56)
2. Burin Peninsula	23 (41)	7 (40)	1 (100)	—	—	31 (47)
3. South Coast	17 (59)	5 (40)	—	1 (100)	—	23 (43)
4. St. George's Bay	36 (49)	16 (40)	2 (50)	—	1 (100)	55 (46)
5. Humber Valley	11 (73)	6 (100)	3 (100)	—	—	20 (85)
6. Central Newfoundland	4 (50)	2 (50)	—	—	1 (0)	7 (43)
7. Trinity-Bonavista Bays	53 (42)	15 (53)	4 (50)	2 (100)	—	74 (44)
8. Notre Dame-Green Bays	50 (49)	31 (68)	4 (25)	2 (100)	—	87 (56)
9. Northern Peninsula	49 (35)	12 (50)	—	—	—	61 (38)
10. Labrador	50 (58)	2 (100)	1 (100)	—	1 (100)	54 (61)
TOTAL	369 (47)	131 (58)	21 (57)	17 (88)	7 (100)	545 (52)

Source: Statistics Canada, Census Data, 1966 and 1971.

As might be expected, the incidence of population growth is most apparent in the larger communities, particularly those in categories above 600. Nearly 60 per cent of the 131 units between 200-399, however, experienced some growth. Only the category below 200 recorded a larger proportion of units with declining populations. Growth in the size of communities was generally most pronounced in the Humber, Labrador, Northeast Coast and Avalon regions. But even among the very small-size categories there was substantial growth in the Humber, South Coast, and Labrador Census Divisions.

(d) *Abandoned Communities*

Communities abandoned between 1966 and 1971 numbered 127 with a total population of 9,260. The location and size of these units are indicated in Table 2-9:

Table 2-9: Number and Size of Abandoned Communities, by Census Division, 1966-1971

Region	No.	Pop. 1966	Average
Avalon Peninsula	21	1,137	54
Burin Peninsula	31	3,472	112
South Coast	16	1,788	112
St. George's Bay	5	63	13
Humber Valley	9	448	50
Central Newfoundland	2	42	21
Trinity-Bonavista Bays	9	415	46
Notre Dame-Green Bays	13	935	72
Northern Peninsula	12	668	56
Labrador	9	292	32
TOTAL	127	9,260	73

Source: Statistics Canada, Census Data, 1966 and 1971.

The number of persons affected by community abandonment since 1966 barely exceeds the size of the Province's largest town. Yet there has been a differing regional emphasis associated with resettlement or with the natural (unassisted) process of abandonment. Virtually no communities have disappeared in the Central and St. George's Bay areas; very few have disappeared in the Labrador, Humber and Trinity-Bonavista Bay regions. Slightly more persons were affected in the Northern Peninsula, Northeast Coast and Avalon areas than in those regions first mentioned. The greatest incidence of abandonment (31 units) is reported on the Burin Peninsula, where some formerly viable places have been resettled; Port Elizabeth, Harbour Buffet, Merasheen, St. Joseph's and Isle Valen, to mention only some of the cases in question.

(e) *Basic Demographic Environment: A Summary*

We continue this general survey of the demographic environment by stressing the principal features of its basic structure. Clearly, it has no near equivalent in any other Canadian, American or European jurisdiction. Its unique features generate, in their turn, distinctive problems and, in some cases, advantages that condition the structure and operation of municipal government. Apart from the two cities and a very few larger towns, local government in Newfoundland is preponderantly small-scale in its scope and intensively personal in its impact. For the vast majority of citizens, moreover, municipal institutions and their processes are very recent creations. As a consequence, there is, we suggest, an interesting and distinctive co-existence of pre- and post- municipal forms, practice and atmosphere.

For most of the small communities and some of the larger ones, however, isolation remains a central condition of life which negatively affects local government in a number of critical ways. And this factor persists despite the gradual extension in recent years of trunk highway and secondary or feeder road systems. Isolation is clearly most pronounced in the Labrador, South Coast and Northern Peninsula regions; but it is present to a greater or lesser degree in all parts of the Province. In a recent survey of 199 communities, most of them incorporated and with populations in excess of 500, it was found that fully 146 units (73.4%) were located more than 25 miles from the nearest major service centre. Indeed, some 49 communities

(24.6%) were located at a distance of more than 100 miles from the nearest major service centre. (The following places were designated for study purposes as major service centres: St. John's, Corner Brook, Grand Falls, Gander, Stephenville and Marystown.) In the same study it was indicated that 40 communities (20.1%) were located at a distance of more than 50 miles from the nearest minor service centre. (Some 15 medium-sized towns were designated as minor service centres.)

One final indicator of isolation may be cited. It is the mileage from any given community to a major service facility, namely a hospital. The study produced the pattern shown in Table 2-10:

Table 2-10: Distance in Miles to the nearest Hospital Facility: 199 Newfoundland Communities

Distance to Hospital (Miles)	No. of Units	% of Total
0	31	15.6
1-24	100	50.3
25-49	44	22.1
50-74	13	6.5
75-99	2	1.0
100-149	6	3.0
150-and above	3	1.5
TOTAL	199	100.0

Source: Provincial Planning Office, *Community Inventory*, February 1973.

It is emphasized that these findings relate only to one-quarter of all the communities within the Province, mainly those with above average populations. Had the survey included a larger proportion of the excluded smaller units, there appears to be little doubt that the resulting dispersion ratios would have been much more dramatic.

Another locational aspect of Newfoundland's demographic pattern is the clustering of small communities in certain areas. This phenomenon is most apparent in some parts of the Avalon region (e.g., Placentia and Conception Bays), in the Trinity-Bonavista area (e.g., Eastport Peninsula and Trinity Bay North), in the Notre Dame Bay region (e.g., New World Island and Twillingate), and in the Port-au-Port Peninsula. The presence of a substantial number of small communities in close proximity to one another has important implications for the organization of local government. It also bears strongly on the cost of providing basic local facilities and of delivering essential local services. Some of the consequences of this "clustering effect" are examined below.

A final demographic pattern of considerable importance for local government is the pronounced growth which has been taking place during the last decade in many small, rural communities adjacent to the larger urban centres. This trend has been fostered by improved roads, by prevailing high urban land and housing costs, by individual domestic piped water and sewerage disposal systems and by other factors as well. It is this phenomenon which, in the Commission's view, explains the decline in Corner Brook's population between 1966 and 1971. In some regions (e.g., St. John's and Stephenville) this urban "spill-over" has reduced the naturally limited potential agricultural land resource; in all areas it has produced public health, development control and transportation problems. In all regions as well, it has severe cost implications for local and provincial governments.

In concluding its remarks on the demographic environment the Commission wishes to emphasize the following points:

(1) The cities of St. John's and Corner Brook presently account for just under one-third of the total population (141,411) within the boundaries of incorporated communities.

(2) Between 1966 and 1971 the rates of city population change have moved in opposite directions.

(3) Average town population in Newfoundland barely exceeds 2,000, but the proportion of the municipal population within town boundaries (191,211) now approximates 45 per cent.

(4) Approximately three-quarters of the towns are growing in size.

(5) Rural districts are few in number and their total population is under 9,000.

(6) With a few notable exceptions, local improvement districts are on the average one-half the size of town units Their total population is 52,666.

(7) The proportion of these quasi-municipalities experiencing some measure of growth is somewhat smaller than the equivalent town ratio.

(8) Local government communities have an average population of only 421. Their total population is 50,051.

(9) These communities display the weakest population growth pattern among all municipal categories.

(10) By the end of 1973 the municipal population of Newfoundland had reached 417,214 (1971 population estimates), or nearly 80 per cent of the entire population of the Province.

(11) The combined population in rural districts, local improvement districts and local government communities is 111,592, or 27 per cent of the total municipal population. Nearly three-quarters of the municipal population is located, therefore, in city and town units.

(12) An estimated 104,890 people, or just under one-fifth of the entire population, are located in 552 unincorporated communities whose average size is 190.

(13) The concentration of population in unincorporated communities is highest in the Avalon, East and Northeast regions, and lowest in the Humber Valley and Central regions.

(14) More than one-half of the unincorporated communities are growing in size.

(15) Only 24 communities with populations in excess of 600 have yet to achieve municipal status.

(16) Since 1966, some 127 communities have been abandoned. The total population affected was 9,260 and the average size of abandoned units was 73. The Burin Peninsula has experienced the greatest incidence of resettlement.

(17) Finally, the Commission notes a gradual tapering-off of Newfoundland's formerly very rapid rate of annual population growth.

Chapter 3

The Economic and Fiscal Environments

1. Economic Environment

The adequacy of any local government system, particularly its fiscal ability to deliver needed public services, is powerfully influenced by the economic environment in which it must operate.

Newfoundland's economy was only a few years ago the subject of a comprehensive inquiry by royal commission. The reader is referred, therefore, to the authoritative *Report of the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador*, December, 1967. Although that commission's work was done in the mid-1960's, the fundamentals of economic life in the Province have not changed materially since its report was published. Still another general review of the Newfoundland economy can be found in the first chapter of the *Report of the Royal Commission on Labour Legislation*, a document released on March 31, 1972. Finally, we note that the Provincial Planning and Priorities Secretariat issues detailed annual profiles of the economy in conjunction with its forecasting activity. Because the Commission is not required to engage in economic forecasting, nor to recommend a model for provincial economic development, we do not deem it appropriate in this report to present the results of any exhaustive examination of Newfoundland's economic structure, its strength and weakness, and its immediate prospects. It is our purpose, however, to develop an adequate understanding of the basic economic environment within which our municipalities now operate, and which will clearly condition their activities in the years ahead.

In Appendix A of this report, therefore, we summarize the results of our own very brief survey of the performance of Newfoundland's economy since 1962. Our investigation, it is emphasized, was confined to an examination of certain key economic indicators and is presented in tabular form. Wherever possible, we have attempted to compare trends in Newfoundland with those reported for the nation as a whole. Our attention throughout was directed to such annual strategic variables as population, gross provincial and gross national products, levels of public and private investment, personal income and its components, comparative family income distribution patterns, labour participation and unemployment rates, and certain indexes of price behaviour.

(a) *Economic Structure*

To a greater degree than in most provinces, Newfoundland has a resource-based economy. Mining, fishing and forestry traditionally have provided the main economic base. The best summary indicators of economic structure are (1) the relative shares of "value added" contributed by the various commodity-producing sectors of the provincial economic system, and (2) the occupational distribution of the labour force. (Value added is an annual measure of the value of production which is added in each sector of the economy after deducting the cost of commodities and services, including materials, fuel, electricity and other purchased supplies consumed in production.) In the four-year period from 1969 through 1972, the last year for which data are available, the respective shares contributed by the different goods-producing sectors of the economy were as indicated in Table 3-1:

Table 3-1: Percentage Shares of Census Value Added in Commodity-Producing Industries, Newfoundland, 1969-1972

	1969 %	1970 %	1971 %	1972 %	Average %
Sector					
Forestry (1)	3.4	3.5	2.7	3.7	3.3
Fishing (2)	5.9	5.6	5.3	5.4	5.5
Mining	30.8	28.9	25.4	23.4	27.1
Electric Power	6.5	6.1	6.1	7.9	6.7
Manufacturing (3)	21.6	19.2	17.3	19.9	19.5
Construction	31.8	36.7	43.2	39.7	37.9
	100.0	100.0	100.0	100.0	100.0

Source: Statistics Canada, 61-202, and estimates of the Newfoundland Executive Council, Central Statistical Services.
(1) Logging only; excludes stumpage.
(2) Primary fishing only; represents the value of landings.
(3) Includes fish and forest products processing.

As we approach the second half of the 1970's, the Commission believes that the value added shares typically contributed by the different goods-producing sectors of the economy will fall within the following ranges: Construction (25-35%); Mining (30-35%); Manufacturing (20-23%); Electric Power (6-10%); Primary Fishing (6-8%); and Primary Forestry (3-5%).

The labour force is defined by Statistics Canada as that portion of the population 14 years of age and over who are employed, or who are unemployed but seeking work. Newfoundland's labour force has in recent years been growing at an average rate approaching 4 per cent. Between 1972 and 1973, however, it increased by 9.4 per cent, the highest annual increase recorded in the history of provincial labour statistics. But the available forecasts suggest that this rate will drop in 1974 to its normal level, and that 7,000 additional entrants to the labour force will increase its total to an estimated 187,000. Long-term changes in the structure of provincial employment are presented in Table 3-2:

Table 3-2: Total Labour Force by Industry Divisions, 1951, 1961, and 1971, Newfoundland and Labrador

	1951	1961	1971
Primary Total	36,124	21,214	15,400
Fishing	18,420	8,389	6,800
Mining	3,661	4,293	4,900
Forestry	10,532	6,891	2,500
Agriculture	3,511	1,641	1,200

Secondary Total	32,171	36,906	49,500
Manufacturing	13,963	12,168	17,600
Construction	5,465	9,525	15,500
Transportation, Communications, and other Utilities	12,743	15,213	16,400
Tertiary Total	36,759	50,702	69,900
Trade	14,674	18,928	23,100
Finance, Insurance & Real Estate	610	1,432	2,600
Community Business & Personal Services Industry	12,250	17,763	32,400
Public Administration & Defence	9,275	12,579	11,800
Industry Unspecified or undefined	1,357	3,488	13,100
GRAND TOTAL	106,411	112,310	148,000

Source: Statistics Canada, 1951, 1961, and 1971 Censuses.

Since Confederation, full-time employment in the primary occupations, with the exception of mining, has steadily declined. In 1971 total employment in the primary sectors accommodated only 10.4 per cent of the entire labour force, as compared with 33.9 per cent in 1951. Employment in secondary occupations (manufacturing, construction, transportation and utilities), on the other hand, has retained its relative position over the long term, and continues to sustain approximately one-third of the labour force. Labour displacement in the primary sectors has been counter-balanced by a substantial growth in the tertiary or services sector of the economy, particularly in government, trade, financial services and business and personal services. The proportion of total employment generated by services grew from 34.5 per cent in 1951 to 47.2 in 1971. It is suggested that the growth of the services sector has been rapid in all provinces, but its capacity to absorb labour has in recent decades been more pronounced in Newfoundland than in most others.

(b) *Growth Pattern: Newfoundland Gross Product and Personal Income*

It is well known that, since 1949, Newfoundland's economy has grown quite rapidly. Our studies suggest that between 1962 and 1972 this rate of growth exceeded the average recorded in Canada as a whole. The best single indicator of economic activity is gross provincial product. It measures each year the sum of all factor incomes accruing to the residents of Newfoundland. Our studies show that for the period under review, G.P.P. increased from $545 million to $1,053 million when measured in constant 1961 dollars. This rate of growth averaged 6.9 per cent per annum, as compared with an equivalent rate of 5.5 per cent for Canada as a whole. There is some evidence, however, that after 1972 this long-term growth trend has slowed and that in 1974 the Province's increase in economic activity, projected at about 4 per cent, will fall below the Canadian average.

A similar pattern is apparent with respect to personal income, which grew from $462 million in 1962 to $1,493 million in 1973. In this case the annual average rate of increase for Newfoundland was 10.7 per cent as compared with a national average growth of 9.8 per cent. In 1974 provincial personal income is forecast to grow by 12.5 per cent and to reach a level of $1,680 million.

While the fact of growth is apparent, the nature of that growth is of some concern to the Commission. Indeed, comparative growth patterns have little meaning unless they are related to the bases upon which they are measured. Newfoundland's economic base, we hardly need emphasize, falls well below the national per capita average. In recent years, for instance, gross provincial product per capita has barely reached the level of 60 per cent of gross national product per capita. Newfoundland's personal income per capita, on the other hand, had risen from 56 per cent of the national average in 1962, to 66 per cent of the national average in 1972. In the latter year, indeed, our average personal income was slightly larger than in Prince Edward Island, and for the first time since 1949 we did not have the lowest average income reported in all ten Canadian provinces. But in 1973 per capita income in the Province averaged $2,760, which again was the lowest in Canada.

The nature of this income disparity is well illustrated in the following comparison. By 1971 the Newfoundland population constituted 2.4 per cent of the nation's population. Yet in that year its residents received wages, salaries and supplementary income which amounted to only 1.5 per cent of the equivalent national aggregate figure. Similarly, farm and non-farm unincorporated business earnings in the Province represented only 1.1 per cent of the total earnings in this category. The income accruing to Newfoundlanders in the form of interest, dividends, and net rents, moreover, amounted to only 0.6 per cent of all income from the same sources accruing to Canadians as a whole. But income received by Newfoundland residents in the form of government transfer payments amounted to fully 3.5 per cent of the nation's income flow in that category. (Transfer payments to persons include all amounts paid annually by all levels of government on behalf of all social and economic assistance programmes.) Reference to Table 3 in Appendix A will indicate that in recent years nearly one-quarter of the income received by Newfoundlanders has accrued in the form of government transfer payments. By 1972 this figure stood at rather more than twice the equivalent national ratio.

The Commission wishes to indicate that in this connection the effect of the new federal Unemployment Insurance Act (under which coverage became universal from January 2, 1972) should be borne in mind. In 1970 and 1971, under the provisions of the old insurance system, benefit payments in Newfoundland had reached the levels of $25.3 and $30.6 million respectively. But in 1972 total benefit payments in the Province increased to $70.5 million. Another important contributor to the prevailing high level of transfer payments is the Province's social assistance programme under which long- and short-term assistance is paid to persons and families (cases) in need. During the past five years the following annual average social assistance cases are reported by the Department of Social Services (Table 3-3):

Table 3-3: Short-Term and Long-Term Social Assistance Payments, Newfoundland, 1969-1973

Year	Short-Term	Long-Term	Total
1969	7,110	15,737	22,847
1970	7,785	15,745	23,530
1971	9,179	16,253	25,432
1972	8,050	16,306	24,356
1973	6,552	15,689	22,241

Source: Table 16, *The Economy, Newfoundland and Labrador, Outlook, 1974,* Planning and Priorities Secretariat, Government of Newfoundland, March, 1974.

Because of its central concern with provincial-municipal finance and taxation, and with the actual and potential burdens that these levies impose on the incomes of citizens, the Commission has directed its attention not only to the sources and average levels of personal income in Newfoundland but also to its distribution among the population. The most recent published information on income distribution is summarized in Table 3-4:

Table 3-4: Income Distribution Among Families and Unattached Individuals: Newfoundland, The Atlantic Provinces and Canada, 1971

$	Nfld.	Atlantic Provinces	Difference	Canada	Difference
Under 1,000	6.4	5.6	(+0.8)	5.5	(+0.9)
1,000-1,999	11.2	9.8	(+1.4)	7.8	(+3.4)
2,000-2,999	6.8	7.4	(−0.6)	5.9	(+0.9)
3,000-3,999	11.6	10.9	(+0.7)	6.9	(+4.7)
4,000-4,999	10.8	9.6	(+1.2)	6.0	(+4.8)
SUB-TOTAL	46.8	43.3	(+3.5)	32.1	(+14.7)
5,000-5,999	8.4	8.5	(−0.1)	6.3	(+2.1)
6,000-6,999	7.5	7.0	(+0.5)	6.6	(+0.9)
7,000-7,999	7.6	7.5	(+0.1)	6.5	(+1.1)
8,000-8,999	6.2	6.8	(−0.6)	7.0	(−0.8)
9,000-9,999	5.2	5.6	(−0.4)	6.3	(−1.1)
SUB-TOTAL	34.9	35.4	(−0.5)	32.7	(−2.2)
10,000-11,999	7.8	8.3	(−0.5)	11.2	(−3.4)
12,000-14,999	5.9	7.0	(−1.1)	11.2	(−5.3)
15,000-24,999	3.8	5.0	(−1.2)	10.7	(−6.9)
25,000 and above	0.9	0.8	(+0.1)	2.0	(−1.1)
SUB-TOTAL	18.4	21.1	(−2.7)	35.1	(−16.7)
TOTAL	100.0	100.0		100.0	
Average Income	$6,414	$6,785	(−$371)	$8,643	(−$2,229)
Median Income	$5,368	$5,769	(−$401)	$7,757	(−$2,389)
Personal Income Per Capita	$2,188	$2,371	($183)	$3,403	(−$1,215)
Sample Size	1,137	4,560		20,822	

Source: Statistics Canada, Cat. 13-206, p. 8.

These comparisons illustrate in dramatic fashion the reality of economic disparity in Canada. Although they depend upon the results of sampling procedures, they nevertheless provide further confirmation of the facts of disparity which are suggested by the income tax, labour participation, employment, national accounts and other indicators. They indicate quite clearly that for the Atlantic provinces in general, and for Newfoundland in particular, a significantly larger proportion of families and unattached individuals tends to be in possession of low average money incomes, when a comparison is made with the Canadian income distribution pattern. In 1971, for example, very nearly one-half of the Newfoundland sample reported incomes of $5,000 or less per annum. The equivalent concentration, for Canada as a whole, amounted to less than one-third. Next, it will be noted that in the income categories of $5,000 and $10,000 the provincial and national ratios reverse their positions. The Newfoundland proportions are higher than those for Canada in the $5,000 to $8,000 range; then, in the $8,000 to $10,000 income intervals, the national sample ratios exceed those reported for Newfoundland. Finally, and necessarily, in the income group above $10,000 Newfoundland's proportion falls to only 18.5 per cent as compared with an equivalent national ratio of over 35 per cent.

On the expenditure side, the Commission has found that living costs in the Province are high and that in 1973, at least in respect of food and housing, they appear to have risen more sharply than in other parts of Canada. Family expenditure studies, moreover, have shown that average weekly spending on food tends to be higher in Newfoundland than in Canada as a whole. This difference is accounted for in part because of larger average family size but also because of higher food prices. An inter-city index of retail price differences in May, 1969, using Winnipeg's price level as the basis of comparison, showed St. John's food prices to be consistently above the Winnipeg level. In the case of any other city surveyed, some items were either at or below the Winnipeg level.

(c) *Employment Prospects*

The reasons for these observed differences in income distribution and price levels are easily identified. Although Newfoundland's economy has experienced considerable growth and diversification since 1949, this growth and diversification have been concentrated in (1) the government sector, (2) the construction sector, (3) the mining sector, principally in the interior of Labrador and in the Baie Verte region, and (4) the services sector. In conformity with world-wide trends, there has been a considerable long-term labour displacement in the primary fishery, agriculture and forestry sectors. The decline in fish landings which took place in 1971 and 1972 was reversed in 1973, when the total catch reached an estimated 672.9 million pounds. There is some evidence that the long-term decline in the number of fishermen has slowed to some extent. Preliminary information suggests that in 1973, for instance, the number engaged in fishing (inshore and offshore) actually increased by 3 per cent, bringing the total to 14,900. This increase apparently took place among the full-time fishermen (10 months and over) and the part-time category (5-10 months). There is a reported decline in the number of casual fishermen (less than 5 months). More recent developments in the fishery, however, will undoubtedly reverse these more positive trends.

In the forestry sector the Commission notes that in 1973 newsprint production reached its capacity level of 690,000 tons, and that greater emphasis on light-weight production will yield higher values per ton of output. Linerboard production at Stephenville during the start-up phase reached 82,000 tons, but that mill's capacity is 1,000 tons per day. Domestic and international demand for paper products continues to increase sharply. Growth in the forestry sector generally depends upon the solution of a number of difficult wood and labour supply problems, upon greater utilization of the Labrador lichen forest, and upon success in the development of production based upon available but unused hardwood stands. A particular challenge confronts industry and government in the critical areas of timber limit allocations, forest management and the development of sawmilling and other secondary wood-using industries.

We note that in 1971 fully 70 per cent of the Province's lumber requirements were supplied by imports. There have been continuing difficulties with the Hawkes Bay Mill which has an annual capacity of 25 million board feet. Two new mills, each with rated annual capacities in the order of 10 million board feet, are currently under construction at Roddickton and Gambo. A new unit is also projected for the Bay d'Espoir area. Another 96 small sawmills produce an estimated 23 million board feet each year. There are literally hundreds of "push-bench" units producing a very small volume of rough lumber for local markets. Current forecasts suggest that by the end of 1974 sawmilling capacity should approach the annual level of 70 million board feet. Even then, however, some 30 per cent of our lumber requirements will be obtained from imports.

There are good prospects for continued growth in the mining sector of the economy, particularly with the recent discovery of sizeable, offshore natural gas resources. During 1974 iron ore production should reach 29 million tons with an estimated value of $376 million. Estimates suggest that in 1974 the value of metal production other than iron ore will reach $26 million, and that non-metallic mineral output will increase to $35 million. Recent price changes and development activity appear to suggest good growth prospects in both lead and zinc production. Mineral exploration continues at high levels, involving an expenditure of more than $8 million in 1973. Offshore petroleum exploration expenditures, on the other hand, reached $36 million in 1973 and are estimated to total $40 million in 1974. It is noteworthy that employment in the mining sector has grown from 5,469 in 1972 to an estimated 8,000 in 1974.

From an investment standpoint, the manufacturing sector has, in recent years, shown considerable dynamism. This phenomenon has been due mainly to a small number of capital-intensive projects such as the linerboard mill and the Come-by-Chance oil refinery. Prospects for further developments of this scale now appear to be favourable. From an employment standpoint, however, this sector has been growing very slowly, and its capacity to generate employment in the future should not be over-estimated. 1973, a year of substantial growth in historical terms, for instance, produced an increase in manufacturing employment of only 4.9 per cent. With a few exceptions, the increase in manufacturing employment, moreover, tends to be concentrated in resource-based operations. Employment in manufacturing as at August, 1973, stood at 14,900, or 8.6 per cent of the employed labour force. Some additional but minimal growth can be anticipated in 1974.

Based upon this general examination of recent trends in Newfoundland's economic environment — and without recapitulating all of the evidence which was considered — the Commission concludes that in the years immediately ahead, as in the past, the growth of provincial employment and its geographic distribution will be influenced mainly by resource development in the mineral, energy and forestry sectors. Continued high levels of employment can be anticipated in the construction and services sector. Employment in primary forestry activity will probably remain stable. Numbers of persons engaged in primary fishing operations will undoubtedly continue to decline. Manufacturing employment, we anticipate, will continue its very slow growth pattern and, in the absence of presently unforeseen developments in transportation technology, will be confined to a relatively narrow range of resource processing activities.

In summary, the Commission has uncovered no evidence that the basic economic structure of the Province is changing. We conclude, therefore, that the primary cause of low average personal income and its maldistribution in relation to the national pattern, namely high annual levels of unemployment, will continue to be the dominant fact of economic life in the years immediately ahead. Indeed, in comparison with the recent past, the problem of unemployment may well worsen in the late 1970's. In its most recent profile of the economy, the Planning and Priorities Secretariat provides the following comments on this near-chronic problem:

> "The unemployment rate in Newfoundland of 12.8 per cent in 1973 continued to be the highest in Canada and the highest experienced in the province since 1961. This rate compares with an average unemployment rate in 1972 of 12.1 per cent and 11.4 per cent in 1971. The 1973 unemployment rate did not result from slow growth conditions in the economy, but rather from substantial increases in the labour force.... In 1973 the number of persons employed increased by 12,700 to a total of 157,000, up 8.8 per cent over 1972.... Although employment grew substantially.... (the labour force grew more rapidly).... The primary reason for the (9.4 per cent) expansion in the labor force was the large increase in participation rates (which indicate the percentage of the population 14 years of age and over in the labour force.) For males these rates changed from 63.9 per cent in 1972 to 66.7 per cent in 1973 and for females from 26.6 to 29.7 per cent. Of the 15,000 new entrants into the labour force, 8,000 were male and 7,000 were female. In addition to changes in participation rates, the size of the labour force was affected by a slowdown in outmigration.
>
> The increase in the labour force was surprising and is not expected to continue in 1974. It is anticipated that the rate of change in the labour force for 1974 will be about 4 per cent, increasing it by 7,000 to 187,000. General economic conditions also dictate a slowdown in employment growth, expected to be around 3 per cent in 1974, so that overall, the unemployment rate should edge upward to 13.4 per cent."

The Commission is aware, of course, that the coexistence of high rates of growth in real product, incomes, investment and employment with high and growing levels of unemployment is a common problem in most industrial communities. But due to the lack of diversification in the local economy, we believe that the problem's cost implications both for people and government is more severe in Newfoundland than in any other Canadian province. This condition will undoubtedly persist in the future, since the proportion of our population in the under-14 age group exceeds the national average by nearly 7 percentage points.

2. Fiscal Environment

In view of its terms of reference, the Commission has devoted considerable attention to the fiscal environment of Newfoundland. We wish to stress the fact that municipal public finance cannot be satisfactorily examined except in the broad framework of provincial public finance. Accordingly, we have conducted a thorough examination of combined provincial-municipal revenue, expenditure and debt patterns in recent years. The results of that study are summarized in Appendix B, below. In addition, we have undertaken a broad comparative investigation of fiscal and budgetary trends in all other Canadian provinces. This latter study, however, is confined in the main to a single year, namely 1972. The summary information on comparative public finance is presented in Appendix C, below.

(a) *Federal-Provincial Fiscal Arrangements*

Under the Canadian constitution, the federal government is empowered to levy taxation of any kind, both direct and indirect. The provinces and their municipalities, on the other hand, are restricted to direct taxation. Originally there was an effective constitutional matching of benefit-related tax powers and public expenditure needs. For many years, at least until the onset of the Great Depression, both the federal government and the provinces generally found it possible to undertake their constitutional responsibilities within the dual revenue framework provided by the *B.N.A. Act, 1867*. Each level of government levied its own taxes, and, with a few minor exceptions, the federal government did not assist the provinces with grants. By the end of the Second World War, however, this traditional pattern had changed. Since 1941, in fact, the Government of Canada has co-operated with the provinces in arrangements for the collection and distribution of tax revenues. Since 1947 these arrangements have been adjusted and expanded in successive five-year intervals.

Under the system adopted on April 1, 1972 and which will continue in operation until March 31, 1977, the federal government collects annually on behalf of the Province the proceeds of the provincial tax on the income of individuals and corporations. The rate at which the provincial personal income tax is imposed is expressed as a percentage of the dollar amount of the federal tax. Until recently the Newfoundland rate was 36 per cent. In the 1974 budget, however, the rate was increased to 40 per cent. The provincial corporation income tax rate, expressed as a ratio of earnings, is 13 per cent.

Current federal-provincial fiscal arrangements include much more than a system under which the Government of Canada, at no expense to the Province, collects the provincial personal income and corporation taxes along with its own levies from these sources. They include, as well, an agreement by Ottawa to stabilize provincial revenues. If in any year the total revenues of Newfoundland from all sources fall below their yield in the previous fiscal year, assuming constant tax rates and no change in tax structure, the Province may apply for a stabilization grant from the Government of Canada equal to the amount of the lost revenue. Although it has never actually been used, this formula constitutes an important fiscal aid to the Province. It obviously provides a considerable security in budgeting, for it introduces a hedge against the certain fiscal consequences of any major economic down-swing.

A second very important feature of present federal-provincial fiscal arrangements is the equalization formula. Since 1967, all provinces that qualify for equalization payments receive from Ottawa each year an amount which is calculated to bring the per capita yield of their total revenues up to the national average per capita yield of total revenues in all provinces. Under this formula provinces with high rates of economic growth, and with above-average per capita revenues (e.g., Ontario, Alberta and British Columbia), receive either no or only minimal payments from Ottawa. Provinces with low rates of growth or with below-average revenue yields per capita, on the other hand, receive substantial assistance. Since its introduction in 1967, the current equalization programme, which replaced an earlier formula, has produced for Newfoundland a significant and growing fiscal resource. In the last year of its operation (1966-67), the former equalization model yielded approximately $29 million. By contrast, in the first year of its operation (1967-68), the new formula produced $67.9 million. Federal tax equalization payments to Newfoundland have since grown in large annual increments. By 1973-74 they had reached an estimated $156 million; and in 1974-75 they are projected to yield $185 million.

In addition to these equalization payments, the Government of Newfoundland receives each year from Ottawa a number of subsidies and special grants. These latter payments include the so-called statutory subsidies, a grant on behalf of post-secondary education, the Term 29 Award, and the provincial share of the federal tax on public utility companies. It is estimated that the yield of these grants will amount to $14.2 million in 1974-75.

The equalization payments and subsidies are technically unconditional grants, the proceeds of which can be applied by the Province in any manner that it deems appropriate. In other words, there are no conditions attached by Ottawa respecting the expenditure of the funds so transferred. This is not the case with regard to a second major category of federal grants to the Province. These latter contributions, the so-called conditional grants, must be applied by the Province in accordance with the terms of the federal-provincial agreements. And these agreements almost invariably require that the federal and provincial governments share the costs of the programmes in question. Developed mainly since 1945, conditional grants are thus a device which enables the federal government to assist the Province to improve the standard of its public services. But Ottawa establishes programme standards. The Province, in administering the various programmes, must adhere strictly to the prescribed criteria, and it must also subscribe its share of the cost.

The Commission does not intend to deal in a technical manner with the positive and negative aspects of conditional grants and of federal-provincial cost-shared programmes. We merely indicate that some of these programmes (e.g., Medicare) contain a further element of equalization. It is estimated that in 1974-75 the Government of Canada will transfer to the Province of Newfoundland, under the terms of the various cost-sharing agreements, an amount totalling $143.8 million. These particular contributions are authorized by virtue of the various intergovernmental programmes of which the following are most significant:

Health Resources Fund;
Hospital construction and miscellaneous public health grants;
Hospital Insurance Programme;
Medicare;
Canada Assistance Plan and miscellaneous social welfare grants;
Physical Fitness and Amateur Sport programmes;
Canada Student Loans;
Manpower training (research and miscellaneous training programmes);
DREE Grants and Loans;
Housing Programmes.

The contributions of the Government of Canada described in this section are the result of continued attempts over the past thirty years to achieve some appropriate degree of balance within the Canadian federation. They provide an indispensable element in sustaining the nation's growth and its political integration. For Newfoundland, with its deep-rooted economic problems, federal fiscal assistance has remained at high levels during the last two decades. The federal share of total provincial current account revenues, for instance, amounted to 52.7 per cent in 1954-55, 49.6 per cent in 1964-65, and is estimated at 52.4 per cent in 1974-75.

The Commission does not wish to convey the impression, however, that the current pattern of federal assistance places the Province in any favourable or surplus position with respect to its available fiscal resources. In Newfoundland, as indeed in all provinces, public demand for new and expanded services places continued strain on provincial revenues. The sources of those revenues, in comparison with those available to the federal government, tend to be less responsive and less elastic with respect to income. They also depend heavily upon consumption levies. While the Government of Canada can increase its services, extend its assistance to provinces and even reduce some of its tax rates, the provinces find it necessary either to curtail service development or to introduce substantial and sometimes regressive tax rate increases. The recent federal decision to index its personal income tax, for instance, has resulted in a reduced yield of the provincial income tax. Finally, it is well to recall that in respect of all the shared-cost programmes, which account for a large proportion of federal assistance, the Province must contribute its share of the agreed-upon annual costs. In this sector, all the incoming federal grants together with the matching provincial contributions represent "tied" resources which cannot be shifted to alternative provincial budgetary uses.

(b) *Provincial Revenue System*

The Newfoundland budget of 1974 provides a current account revenue estimate amounting to $562.3 million, of which $294.6 million or 52.4 per cent will be contributed by the Government of Canada. The budget also provides revised current account revenue estimates for the fiscal year 1973-

—74. These estimates, exclusive of federal contributions, are shown in Table 3-5:

Table 3-5: Revised Provincial Current Account Revenues, Newfoundland, 1973-74

Provincial Tax Sources:	
Gasoline Tax	$29,300,000
Retail Sales Tax	69,500,000
Insurance Premium Tax	2,300,000
Inland Revenue Stamps	55,000
Insurance Companies Tax	875,000
Pari-Mutuel	30,000
Tobacco Tax	9,000,000
Telegraph Tax	13,000
Personal Income Tax	46,929,000
Corporate Income Tax	16,336,000
Mining Tax and Royalties	1,700,000
Succession Duty and Gift Tax	1,386,000
TOTAL: Provincial Tax Sources	177,424,000
Other Provincial Sources:	
Newfoundland Liquor Corporation	24,000,000
Newfoundland Liquor Licencing Board	506,000
Registry of Deeds	919,000
Registry of Bills and Sales	200,000
Licences, Permits, Privileges, Fines and Penalties:	
Vehicle and Driver Licences	6,022,000
Park Permits	159,200
Inland Fishery and Game Licences	635,000
Mineral Leases	99,400
Sawmill Leases	22,000
Dog Licences	6,000
Cutting Permits	4,000
Mining Prospector Licences	4,000
Gasoline Vendors	46,000
Fines and Forfeitures	1,000,000
Food Licences	41,000
Fees - Insurance Companies and Agents	71,000
Provincial Water Systems	373,000
Other	34,400
Rents and Royalties:	
Petroleum Exploration	5,900
Water Power Rentals	2,706,500
Timber Royalties	240,000
Grant and Lease Rentals	60,000
Timber Lease Rentals	31,000
TOTAL: Other Provincial Revenue Sources	37,185,400
TOTAL: Current Account Revenue (Own Sources)	214,609,400

Source: Exhibit II, Budget of the Province of Newfoundland, 1974.

It is clear that the bulk of Newfoundland's revenue from its own sources is obtained from taxation. In 1973-74 these taxes produced revenue in an amount of $177.4 million, or 82.8 per cent of all monies collected by the Province. Non-tax revenues produced only $37.2 million. The most important tax sources contributing to its own revenue are: the retail sales tax (32.4%), the personal income tax (21.9%), the gasoline tax (13.7%), the corporate income tax (7.6%) and the tobacco tax (4.2%). All other taxes contribute a very small proportion (3.0%). Among the non-tax revenue sources the main contributions are provided by liquor sales (11.2%) and the vehicle registration and driver licences (2.8%). The remaining non-tax revenues contribute a very small proportion (3.2%) of its own fiscal resources.

The behaviour of these provincial revenues from 1962 to 1974, as expressed in per capita terms, is presented in Table 3, Appendix B. Examination of the series indicates that total revenue collected by the Province from its own sources grew from $95.66 per capita in 1962 to $498.81 in 1974. Average annual growth of per capita provincial revenue has been 17.6 per cent. When expressed as a proportion of Newfoundland's personal income, provincial revenue rose from 9.7 per cent in 1962 to an estimated 16.2 per cent in 1974. In short, when the overall revenue activity of the Province is income-related, the fiscal incidence of that activity can be seen to have nearly doubled during the last thirteen years. (See Appendix B, Table 6)

Over the years there has also been some change in the relative importance of the various provincial revenue sources. This change is summarized in the following comparison (Table 3-6):

Table 3-6: Proportional Contributions of Major Provincial Revenue Sources, Newfoundland, 1962 and 1974

Revenue Source	**Proportion of Total Revenue**	
	1962	**1974**
Personal Income Tax	6.8%	21.9%
Corporate Income Tax	10.6	7.6
Retail Sales Tax	32.8	32.4
Gasoline Tax	16.9	13.7
Other Taxes	1.7	7.2
Non-Tax Revenue	31.2	17.2

Source: Calculated from Table 3, Appendix B.

It is apparent that in recent years the Province has come to depend much more substantially on the yield of the personal income tax. At the same time, the yields of corporate income and gasoline taxes have assumed a slightly smaller relative importance. There has evidently been no change in the central fiscal position of the retail sales tax. It is clear as well that the relative contribution of provincial non-tax revenue has diminished by nearly one-half, and that the weight of taxation in the fiscal structure has accordingly increased.

Reference to Table 5, Appendix B, will also indicate substantial annual differences in the yield patterns of provincial revenue sources. Since 1962, the following annual average increases in tax yields per capita have been recorded: other taxes, 33.8 per cent; income tax, 26.7 per cent; sales tax, 14.5 per cent; corporate income tax, 13.0 per cent; and gasoline tax, 11.2 per cent. Long-term annual variations have been most pronounced in the case of the other taxes category and of the corporate income levy. The yield of this latter tax, in fact, varies greatly from year to year. In no less than five of the twelve years which were examined, its yield was lower than it had been in the preceeding fiscal year. This pattern is in sharp contrast with the behaviour of the other provincial taxes. Most provincial levies, in fact, tend to increase in yield from one year to the next.

(c) *Provincial-Municipal Fiscal Arrangements*

Just as the provinces have come to depend increasingly upon federal fiscal assistance, so the municipalities of Canada have in recent years grown more dependent upon grants from senior governments. The overall rate of municipal fiscal dependency, moreover, is steadily increasing. This trend is summarized in the following Table 3-7:

Table 3-7: Municipal Fiscal Dependency: Revenue from Senior Governments Expressed as a Percentage of Municipal Expenditure, Canada, 1967-1972

Year	Municipal Revenue from Senior Governments as Percentage of Municipal Expenditure
1967	45.3%
1968	45.9
1969	46.3
1970	46.8
1971 (a)	50.3
1972 (b)	52.6

(a) Preliminary; (b) Estimate

Source: W. I. Gillespie, "An Examination and Analysis of Municipal Financial Problems", in *Proceedings of the Twenty-fifth Tax Conference*, 1973, Canadian Tax Foundation.

In all Canadian provinces there is a substantial lag in the presentation of official, audited information on the financial activity of local governments. When this report was being written, for instance, the complete and audited data on municipal fiscal operations in Newfoundland for the calendar year 1971 were not yet available. For the years from 1970 onward, therefore, the Commission has prepared its own estimates. All of these calculations, as we indicate later in the report, depend upon sampling and other procedures. Whether our estimates for 1974 are accurate or otherwise will become apparent only in 1977 or in 1978. It is our best judgement, however, that in 1974 the total revenue required for all municipal operations in the Province will reach the level of $51.2 million. It is believed that $21.8 million of this amount will be contributed by the Province. (This estimate includes an amount of $5.8 million representing the current cost to the Province of supplying city police and fire services.) A much smaller though undetermined amount will be provided by the Government of Canada. This projection indicates that aggregate senior government contributions to municipal authorities in Newfoundland now exceed 50 per cent of their revenue. The general level at which the provincial government supports its municipalities, therefore, has followed much the same trend as in all other Canadian provinces. At the same time, however, many differences exist between the Newfoundland and Canadian patterns with respect to the manner in which the support is provided.

The various grants now allocated to municipalities by senior governments were summarized in Chapter 1. They are the subject of a separate chapter in Part III of this report where they are described in detail and evaluated. Their estimated amounts for 1974 are as indicated in Table 3-8:

Table 3-8: Estimated Provincial Grants to Municipalities, Newfoundland, 1974

Grants	City	Non-City	Total
		Thousands of $	
Revenue, Road and City Grants	570	5,420	5,990
Water and Sewerage Subsidy	100	6,900	7,000
City Fire and Police Services Supplied by the Province	5,754	-	5,754
Special Grants	-	3,049	3,049
TOTAL	6,424	15,369	21,793

Source: Estimates of the Commission.

The revenue, road and city grants are unconditional contributions. The city grant to St. John's is really a token amount of minor significance; the city grant to Corner Brook is now $0.5 million annually. Revenue and road grants are not paid to the cities but are confined to towns, rural districts, local improvement districts and local government communities. All non-city units receive these grants. The water and sewerage subsidy is paid to Corner Brook but not to St. John's. A growing number of towns and some other municipalities, possibly more than sixty, are now receiving this grant. It is designed to assist local authorities meet their annual interest and principal repayment charges on debt obligations associated with the recent installation of water and sewerage systems. The subsidy is a conditional grant in the sense that its payment is authorized only for those local units willing to impose upon their taxpayers a municipal water and sewerage rate or tax.

In some parts of this report we have considered the annual cost to the Province of supplying fire and police service to St. John's and of the RCMP contract for Corner Brook, as grants to these cities. All of these services are estimated to cost $5.8 million during 1974-75. Special grants paid to the non-city municipalities are invariably conditional contributions in the sense that they must be allocated to specific projects. In some instances a special grant is awarded only when the local authority agrees to contribute some portion of the project cost. As a general rule this latter practice has been followed in respect of paving, incinerator and fire equipment purchase grants. In a great many cases, however, special grants have provided the entire amount of specific municipal capital project costs. And upon occasion, as indicated above, they have even been used to assist municipalities deal with their current account budgetary deficits arising in the main from an inability to discharge high interest or loan repayment obligations. There are also certain initial, emergency and other grants of lesser fiscal significance.

In the years since 1962, the annual amount of all provincial grants to municipalities in Newfoundland has risen from $2.6 million to approximately $15 million, exclusive of the cost of city fire and police services provided by the Province. When measured in this manner, these contributions have averaged rather more than one-quarter of total municipal disposable revenue. In exceptional years, however, this ratio has been somewhat higher, as in 1971 when it reached nearly 36 per cent.

It should be indicated that the Newfoundland model of municipal fiscal support has no equivalent in any other jurisdiction. While all other provinces have developed elaborate fiscal assistance programmes on behalf of their municipalities, none has used instruments comparable to the Newfoundland revenue grant and its water-sewerage subsidy. No province, moreover, has evolved a system of municipal grants based to such a large measure upon the discretion of the central government. It is worth observing that among all the provincial grants currently made available to Newfoundland's municipalities, only the revenue and road grants are allocated strictly in accordance with any fixed formula. And these latter contributions, we emphasize, have in recent years constituted a declining share of the total grants allocated to local authorities.

(d) *Municipal Revenue System*

As with its municipal system in general, its demographic and economic bases, and its patterns of fiscal support, Newfoundland's municipal revenue structure has no equivalent in any other jurisdiction. The unique manner in which local citizens in this Province contribute toward the cost of their municipal government operations is fully examined and evaluated in Part III (Chapter 7) of this report. The Commission estimates that during 1974 Newfoundland's municipalities will raise some $29.4 million exclusively from their own tax and non-tax revenue sources. This revenue is projected to accrue to local governments in the manner outlined in Table 3-9:

Table 3-9: Estimated Municipal Revenue (Own Sources), Newfoundland, 1974

Source	City	Non-City (Thousand $)	Total
Taxation			
Property Tax (1)	7,436	2,965	10,401
Business Tax	2,517	984	3,501
Fuel Tax	831	530	1,361
Service Fee (2)	42	1,258	1,300
Water Rate	1,620	2,680	4,300
Other Taxes	1,157	830	1,987
TOTAL TAXATION	13,603	9,247	22,850
Non-Tax Revenue (3)	3,589	2,961	6,550
TOTAL LOCAL REVENUE (Own Sources)	17,192	12,208	29,400

Sources: Budget estimates of Department of Municipal Affairs and Housing, 1974-75; City Budgets of St. John's and Corner Brook, 1974; Commission Sample of 45 Non-City Budgets, 1974.

(1) Property Tax levied in both cities but in only 24 non-city units.
(2) Service fee levied in Corner Brook but not in St. John's.
(3) Includes federal grants-in-lieu of taxes and other contributions.

Although it is used in just over 25 municipalities, the property tax is by far the largest single contributor to Newfoundland local revenue, accounting for more than one-third of the total municipal levy. Next in importance is the water-sewerage rate; it produces some 15 per cent of municipal revenue and is followed by the business tax which yields nearly 12 per cent of the local levy. Fuel taxes, "other" taxes and municipal service fees together account for only 16 per cent of all local revenue requirements. Non-tax revenue, which includes industrial and other non-tax contributions together with federal grants, is of somewhat greater importance; it is estimated to produce about 22 per cent of municipal revenue in 1974.

The prevailing balance as between revenue patterns of city and non-city municipalities is worthy of brief notice. Property tax yields in the two cities, for instance, account for more than two-thirds of the property taxes levied in all municipalities. Roughly the same ratio now exists in respect of the business tax. More than half the municipal fuel taxes, other taxes and non-tax revenues are raised by the two cities. The non-city units, on the other hand, raise greater proportions of total municipal service fees and of water-sewerage rates. These ratios acquire greater significance when it is remembered that only 29 per cent of Newfoundland's municipal population lives within the cities of St. John's and Corner Brook. As in all municipal systems, however, local service requirements in the Province's densely populated city units invariably produce much higher local tax and non-tax revenue levels. The total local revenue collections per capita in the two cities have now reached an annual level of $140.34, as compared with only $41.04 in the nearly three hundred non-city municipalities. For all local authorities in the Province, average annual revenues obtained from purely municipal sources in 1974 are estimated at $70.00 per capita of the provincial population now considered to be living within incorporated units.

The historical behaviour of annual municipal revenue yields in Newfoundland is presented in Appendix B; Table B-2 sets out the actual dollar amounts of the major local revenue components, together with the total provincial grant allocations, from 1952 to 1974. These data are also averaged for each five-year interval. The same table also indicates the proportional contributions made by each revenue component to the total local budget. Long-term trend patterns indicated in that table are summarized below in Table 3-10:

Table 3-10: Newfoundland Municipal Revenue (Own Sources), 1952-1974

		1952-56	1957-61	1962-66	1967-71	1972	1973	1974
Property Tax	(thou. $)	1,337	2,362	3,972	6,373	8,786	9,530	10,401
	(%)	49.0	48.2	52.4	39.2	34.4	33.5	32.5
Business Tax	(thou. $)	421	851	1,412	2,505	3,044	3,255	3,501
	(%)	15.4	17.4	18.6	15.4	11.9	11.4	10.9
Other Taxes	(thou. $)	393	746	1,258	2,119	2,614	5,780	8,948
	(%)	14.4	15.2	16.7	13.0	10.2	20.3	27.9
Non-Tax Revenue	(thou. $)	577	943	934	5,262	11,101	9,920	9,191
	(%)	21.2	19.2	12.3	32.4	43.5	34.8	28.7
Total Local Revenue	(thou. $)	2,728	4,902	7,576	16,259	25,545	28,485	32,041
	(%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Appendix B, Table 2.

It is evident that with the incorporation of greater numbers of communities, the property tax has steadily declined as a contributor to the overall revenue raised from municipal sources by local authorities. In the early post-Confederation period, the property tax provided about one-half of total local requirements; it now supports less than one-third of all local revenue needs. A similar proportional decline is apparent in respect of the business tax; it now contributes about 11 per cent of total requirements as compared with 15 per cent in the earlier period. With the steady increase in small-unit incorporations, and with the development of local water and sewer services, the municipal system as a whole has grown much more dependent upon flat-rate, poll and consumption levies (fuel and telephone taxes, water-sewer rates, service fees, vehicle and numerous other nuisance taxes) than was the case in the early years. Taken together, the "other" taxes now contribute nearly one-third of total revenue requirements and have nearly doubled in relative significance since 1952-56. It is evident, as well, that to a lesser degree non-tax revenue has increased in relative importance. This latter trend has been due in no small measure to the growing impact of federal grants on municipal budgetary activities.

The annual growth pattern of locally-raised municipal revenue from 1962 to 1974, expressed in per capita ratios of the entire provincial population, is detailed in Appendix B, Table 3. In the case of all local tax revenue, these per capita ratios have moved rapidly upward from $10.79 in 1962 to an estimated $36.00 in 1974. During that thirteen-year period municipal revenue from all local sources increased from $11.11 to $56.00. The average annual growth rate of municipal taxation per capita during the period amounted to 10.7 per cent, while the equivalent ratio for all locally-raised revenue was 15.5 per cent.

(e) *Comparison of Provincial and Municipal Revenue Growth, 1962-1974*

Reference to Appendix B, Tables 3 through 6, will also indicate the relationship between the recent growth of municipal revenue per capita and of provincial revenue per capita, when considered independently of all federal-provincial and provincial-municipal transfers. This comparison is summarized in Table 3-11:

Table 3-11: Comparative Annual Rates of Growth of Provincial and Municipal Revenue Per Capita from Own Sources, Newfoundland, 1962-1974

	Average Annual Growth Per Capita 1962-1974	Percentage of Provincial Personal Income	
		1962	1974
	%	%	%
Total Provincial Taxation	15.7	6.7	12.1
Total Provincial Revenue (Own Sources)	17.6	9.7	16.2
Total Municipal Taxation	10.7	1.1	1.2
Total Municipal Revenue (Own Sources)	15.5	1.1	1.8

Source: Calculated from Tables 5 and 6, Appendix B.

This comparison indicates that, over the entire period, the average annual growth of provincial taxation per capita has exceeded the comparable per capita growth in the municipal sector by five percentage points. (The full extent of this growth lag becomes apparent when it is remembered that between 1962 and 1974 the number of municipal units increased from 105 to 290, and the population within incorporated communities grew from 230,000 to an estimated 420,000.) When the comparison is extended to total per capita provincial and municipal revenue, however, the difference is less pronounced, although, as indicated above, the total municipal revenue per capita estimate includes a growing component of federal grants which should not be considered strictly as part of local non-tax revenue.

In any case, it is clear that whereas the proportion of provincial personal income consumed by provincial taxation has nearly doubled since 1962, growing from 6.7 to 12.1 per cent, the equivalent proportion on the municipal side has remained virtually constant, growing only from 1.1 to 1.2 per cent. And whereas the proportion of personal income consumed by total provincial revenue grew by 6.5 per cent since 1962, that proportion consumed by total municipal revenue grew by only 0.7 per cent.

While these comparisons reveal some important dimensions of the growth and intensity of provincial and municipal fiscal operations in recent years, it should not be forgotten that both levels of government receive substantial external assistance by way of grants. When federal-provincial and provincial-municipal transfers are taken into consideration, the following growth patterns emerge. They are found in Table 3-12:

Table 3-12: Total Provincial and Municipal Per Capita Revenue, Average Annual Rates of Increase, Newfoundland, 1962-1974

	Per Capita Average Annual Rates of Increase			
Revenue Sources	**1962-66** **%**	**1967-70** **%**	**1971-74** **%**	**1962-74** **%**
Provincial Taxation	14.3	17.8	15.1	15.7
Total Provincial Revenue (Own Sources)	14.7	19.4	18.6	17.6
Total Federal Transfers to Province	9.9	17.1	14.1	13.7
Total Provincial Revenue (All Sources)	11.5	17.8	13.2	14.2
Municipal Taxation	11.0	9.2	12.0	10.7
Total Local Revenue (Own Sources)	16.6	13.8	16.0	15.5
Total Provincial Transfers to Municipalities	5.3	14.1	29.9	16.4
Total Municipal Revenue (All Sources)	13.1	13.7	18.9	15.2

Source: Calculated from Tables 2 and 5, Appendix B.

Notwithstanding the relatively slow average annual growth of municipal tax revenue per capita, the more rapid increase in local non-tax revenue combined with a very rapid increase in provincial grants, particularly after 1970, has served to give total per capita municipal revenue from all sources a higher average annual growth during the entire period (15.2%) than total per capita provincial revenue from all sources (14.2%). It may be observed that while this relationship existed in 1962-66, and became very strong in 1970-74, it actually was strongly reversed during 1967-70, due largely to the very rapid increase in provincial per capita revenue consequent upon the introduction of a new federal equalization formula in 1967-68. It is of interest, however, that despite their budgetary importance, federal transfers have not increased as rapidly during the period as the yields of the Province's own revenue sources.

The conclusions to be drawn from these comparisons may now be summarized briefly. First, due in large measure to municipal under-utilization of the real property tax, the growth of per capita municipal taxation in Newfoundland has lagged behind the growth of per capita provincial taxation by an average of five percentage points annually since 1962. Second, notwithstanding a steady increase in federal grants to municipalities, the growth of total local per capita revenue from municipal sources has fallen behind the growth of provincial total revenue per capita, exclusive of federal transfers, by an average of two per cent annually since 1962. But when a comparison is made in terms of the total fiscal resources available to both levels of government, it is clear that, except for the four years between 1967 and 1970, the average annual growth of the total Newfoundland municipal budget has exceeded the average annual growth of the total provincial budget by one per cent per annum. During 1971-74, moreover, municipal budgetary growth was particularly strong, exceeding the equivalent provincial fiscal rate of growth by nearly six percentage points per annum. This result was made possible only by a remarkable increase in provincial grants to local authorities. These provincial transfers grew at an annual average rate of nearly 30 per cent during the years from 1971 through 1974. In the former year, indeed, the government increased its grants to municipalities by 82.8 per cent as compared with 1970.

(f) *Newfoundland's Comparative Revenue Capacity*

Having established the fact that a growing municipal fiscal base in this Province has in recent years been sustained to a much greater degree by provincial taxpayers than by local ratepayers, the next step is to measure the cost of that support in relation to the Province's revenue capacity, and to determine whether in the years ahead either a continuation or alteration of the existing municipal support pattern is desirable or even possible. As part of its attempt to deal with this complex question, the Commission undertook a broad survey of Canadian provincial public finance in order to establish by comparative methods the distinctive features of Newfoundland's fiscal structure. The results of that investigation are summarized statistically in Appendix C.

The fiscal capacity of any province depends essentially upon its available income base and the nature of its tax instruments. As indicated earlier in this chapter, Newfoundland's per capita personal income, although it tends to be the lowest in Canada, has recently been growing at a faster rate than the Canadian average rate. The relationship among growth rates of personal income and of combined provincial-municipal net revenues is indicated in Table 3-13:

Table 3-13: Personal Income, Provincial-Municipal Combinet Net Revenue, (Own Sources), Newfoundland, 1962-1972

Year	Personal Income: Rates of Annual Increase		Combined Net Rev.: Rates of Annual Increase		Combined Net Rev. (Own Sources): Rates of Annual Increase	
	Nfld. %	All Prov. %	Nfld. %	All Prov. %	Nfld. %	All Prov. %
1962	5.0	8.9	40.4	16.2	-2.2	20.3
1963	6.7	6.2	8.9	7.6	9.5	8.6
1964	7.7	7.0	46.3	10.5	79.4	11.1
1965	13.7	10.2	-5.6	15.0	-18.5	15.4
Avg.	8.3	8.1	22.5	12.3	17.1	13.9
1966	12.6	12.2	8.5	15.1	11.0	15.2
1967	11.0	9.7	29.3	16.5	15.3	15.5
1968	10.9	10.1	15.1	16.3	31.0	15.1
1969	10.4	11.0	13.5	14.5	8.2	14.8
Avg.	11.2	10.8	16.6	15.6	16.4	15.2
1970	11.7	7.6	17.9	13.3	26.4	10.9
1971	10.7	10.4	19.4	13.6	9.7	10.3
1972	14.7	11.4	2.7	8.4	12.5	9.6
Avg.	12.4	9.8	13.3	11.8	16.2	10.3
Period Average	10.5	9.5	17.9	13.4	16.6	13.3

Sources: Table 1, Appendix A; Table 1, Appendix B.

Note: Combined net revenue is a measure used by the Commission to represent the sum of provincial and municipal gross general revenue, less grants from the Province to municipalities. Combined net revenue (own sources) represents combined net revenue, less federal transfers to the Province.

This comparison indicates that in Newfoundland and in Canada as a whole combined provincial-municipal net revenue has tended to increase annually at a faster rate than the increase in personal income. It is evident, however, that combined net revenue in Newfoundland, with a few annual exceptions, has grown at rates in excess of those recorded in Canada as a whole. This relationship exists irrespective of federal contributions to the provinces. For the eleven-year period from 1962 to 1972, the provincial-municipal budgets in Newfoundland increased annually at an average rate of nearly 18 per cent, or 4.5 percentage points on the average greater than Canadian annual provincial-municipal budgetary performance. When the influence of federal transfers to provinces is discounted, essentially the same pattern emerges, although the difference between the Newfoundland and Canadian average annual rates tends to be reduced to some extent. Such a difference is to be expected, however, in view of the great weight of federal contributions in Newfoundland public finance.

It is necessary as a next step to establish the impacts which combined net revenue operations have had on the personal income available to citizens, discounting the federal conditional and unconditional grants. The comparative budgetary performance of Newfoundland in this respect is demonstrated in Table 3-14:

Table 3-14: Combined Provincial-Municipal Net Revenue (Own Sources) as a Percentage of Personal Income, Newfoundland and all Provinces 1962-1972

	Combined Net Revenue (Own Sources) as a Percentage of Personal Income	
Year	**Newfoundland**	**All Provinces**
1962	10.7%	16.7%
1963	10.0	17.1
1964	18.3	17.7
1965	13.1	18.5
Avg.	13.0	17.5
1966	12.9	19.0
1967	13.4	20.0
1968	15.9	20.9
1969	15.6	21.7
Avg.	14.5	20.4
1970	17.6	22.3
1971	17.3	22.3
1972	17.1	21.9
Avg.	17.3	22.2
Period Average	14.6	19.8

Sources: Table 1, Appendix B; Statistics Canada, Various Series.

This table illustrates the well documented fact that Newfoundland's governments, like those throughout Canada, require an increasing share of the citizen's income in order to sustain their growing revenue needs. Combined budgetary operations in this Province, net of federal contributions, have grown from 13 per cent of personal income during 1962-65 to 17.3 per cent during 1970-72. The equivalent ratios for all provinces have increased from 17.5 per cent to 22.2 per cent. The salient feature of this comparison, however, is found in the difference between the two rate levels. Early in its study, for example, the Commission accepted the hypothesis that in view of its low relative per capita income and its rapidly expanding public service outlays, Newfoundland's combined revenue operations, exclusive of federal transfers, would require a share of the Province's personal income in excess of the Canadian average. That initial hypothesis apparently cannot be sustained by the facts.

Does this comparison imply that our provincial and municipal governments exert a smaller combined fiscal effort than the average of all governments in Canada? The answer to this question, formally speaking, is yes. Practically speaking, however, it should be remembered that the pecuniary effort required by citizens to supply a given proportion of their incomes for public services depends very much upon the relative average level of those incomes, the sources from which they accrue, and the nature of their distribution. These matters were fully treated in the first section of this chapter. Taken together, they suggest to the Commission that it requires a greater fiscal effort in Newfoundland to sustain a combined provincial-municipal budget that admittedly, by general Canadian standards, does have a somewhat smaller income impact ratio.

This conclusion is readily confirmed by reference to the various tables set out in Appendix C, below. These tables should be interpreted with some caution, however, since there is a considerable fiscal and structural variation among provinces. In any case, it is clear that differing economic patterns have a significant bearing on provincial-municipal fiscal operations. In Saskatchewan, Alberta and British Columbia for instance, the availability of relatively high resource non-tax revenue means a reduced reliance on taxation. Thus, while provincial taxation in all provinces during 1972 amounted to 74.9 per cent of total provincial revenue, exclusive of federal transfers, in the latter three provinces the equivalent ratios were only 57.2, 45.4 and 66.8 per cent respectively. Reference to Table C-3 will indicate that during the same year combined provincial-municipal revenue, exclusive of federal transfers, attained an average level of $785 per capita in all provinces, varying from highs of $868 and $843 per capita in Alberta and Ontario to lows of $413 and $470 per capita in Newfoundland and New Brunswick. An examination of Table C-4 shows that Newfoundland currently applies the highest corporation income, motor fuel and tobacco tax rates in Canada. Its retail sales tax rate, now increased to eight per cent, is also among the highest in the country. Its personal income tax rate, now increased to 40 per cent of the federal tax, has been increased in relative intensity.

But Newfoundland's comparatively limited fiscal capacity is probably best illustrated in the two analytical exercises presented in Tables 5 and 6, Appendix C. These tables show the differing fiscal equivalents in the provinces of the smallest rate increments of the four principal provincial taxes: the retail sales tax, the provincial personal income tax, the corporate income tax and the motor fuel tax. The most recent comparative data available to the Commission for this exercise were for 1969; and although the actual dollar values will have changed to some extent since that year, there doubtless has been little change in the basic structure of the fiscal relationships therein illustrated. For the sake of brevity and contrast, we confine our comparison to the Newfoundland and Ontario patterns.

If, in 1969, the Minister of Finance of Newfoundland had considered increasing the retail sales tax by one percentage point, he could have anticipated an approximate yield of $10.33 per capita, and an increase in total provincial taxation of 5.8 per cent which would have consumed about 0.58 per cent of the personal income then available to the Province's taxpayers. If the Ontario treasurer had considered exactly the same action, he could have anticipated an approximate yield of $11.21 per capita, and an increase in total provincial taxation of only 2.8 per cent which would have consumed merely 0.32 per cent of the personal income then available to the Ontario taxpayers. In the case of the personal income tax, a one per cent rate increase would have produced about $1.14 per capita in Newfoundland, and an increase in taxation of 0.6 per cent which would have represented 0.06 per cent of provincial income. In Ontario, such an operation would have yielded $3.73 per capita, and an increase in taxation of 0.9 per cent which would have represented 0.8 per cent of provincial personal income.

When this comparison is applied to the corporate income and motor fuel taxes, even more substantial contrasts emerge. A single percentage point increase in the former tax in this Province during 1969 would have produced only $1.42 per capita; it would have increased provincial taxation by 0.8 per cent and have consumed 0.08 per cent of personal income. In Ontario, on the other hand, it would have yielded $5.03 per capita; it would have increased provincial taxation by 1.2 per cent and have siphoned off 0.14 per cent of personal income. A similar though less extreme relationship exists with respect to the fuel oil tax: a 1¢ increase per gallon in its rate would have produced only $1.42 per capita in Newfoundland as compared with $3.00 per capita in Ontario.

Another measure of any province's fiscal capacity is found in the degree of its reliance upon consumption taxes. These taxes generally have a tendency to be regressive in the sense that the ratio of the levies to disposable income is higher for below-average than for above-average income families or consumers. Three consumption taxes used in virtually all Canadian provinces are the retail sales, motor fuel and tobacco taxes. In 1972, the yield of these three taxes in Newfoundland accounted for 47 per cent of all revenue raised from provincial sources, whereas during the same year in Ontario they represented only 31 per cent of provincial revenue collections. During 1973, in fact, it is estimated that all major provincial taxes in Newfoundland on consumption, both direct and indirect, including levies on insurance premiums, liquor profits and motor vehicle licences and drivers' permits, produced $140.1 million (65.3%) of an estimated $214.6 million raised by the Province from all its own revenue sources. The full impact of this relatively heavy emphasis upon consumption taxation is underlined when it is remembered that Newfoundland's citizens by general Canadian standards have much lower average incomes, relatively limited unearned incomes, and a much greater dependency on government transfer payments for their incomes. As noted earlier in this chapter, Newfoundland has a disproportionately high concentration of taxpayers in the low income brackets. We conclude, therefore, that the Province's ability to augment its own revenues in any substantial degree is now, and will remain, decidedly limited.

(g) *Public Expenditure Patterns*

Public expenditure trends in Newfoundland since 1962, as estimated by Statistics Canada, are presented in Appendix B, Table 7. In the provincial sector those functions requiring the largest allocations in 1972 were the following: education, (26.2%); health, hospitals and medicare, (21.5%); transportation and communications, including highway and road construction and maintenance, (13.2%); social assistance in its various forms, (10.3%); and debt charges, exclusive of debt retirement, (10.2%). Smaller allocations were made in the following areas: natural resources, (4.1%); general government, (3.1%); industrial development, (2.9%); government enterprises, (2.5%); protection, (2.1%); recreation and cultural services, (0.9%); unconditional grants to municipalities, (0.6%); and other expenditures, (2.4%). In the years since 1962 these ratios have changed to some extent. There have been slight proportional decreases in the amounts spent on education, transportation, social assistance and general government. Expenditure areas requiring greater proportional fiscal resources have been debt charges, industrial development, natural resources and recreation. Health expenditures during the period have on the average tended to consume a constant share of the provincial budget.

In the municipal sector the 1972 expenditure allocation pattern, as estimated by Statistics Canada, was as follows: public works, (27.3%); sanitation and waterworks, (24.6%); debt charges, exclusive of debt retirement, (14.0%); general government, (10.8%); recreation, (9.7%); protection, (8.6%); municipal enterprises, (2.8%); and miscellaneous expenditures, (2.2%). In the years since 1962 municipal functions requiring greater fiscal resources have been waterworks, debt charges, protection and recreation. The functions requiring decreasing relative emphasis have been public works, general government and the payments to municipal enterprises.

Combined provincial-municipal expenditure allocations in Newfoundland for 1972, as compared with those found in other provinces during the same year, are detailed in Appendix C, Tables 7 through 11. In Table 3-15 below we summarize the per capita expenditure levels achieved by Newfoundland during 1972, as compared with those recorded during the same year in all ten Canadian provinces:

Table 3-15: Combined Provincial-Municipal Gross Expenditure Per Capita, Newfoundland and all Provinces, 1972

Combined Expenditure Component	Newfoundland $	All Provinces $
Education	271.80	312.47
Health	223.50	237.08
Social Assistance	107.14	87.67
Transportation and Communications	151.50	118.62
Industrial Development	29.89	6.37
Debt Charges	115.41	84.93
Protection	27.26	62.20
Sanitation and Waterworks	9.77	36.94
Natural Resources	43.05	31.84
Recreation and Cultural Services	15.04	27.25
General Government	39.47	50.86
Own Enterprises	27.63	7.36
Other Expenditure	25.38	23.55
TOTAL EXPENDITURE	1,086.84	1,087.14

Source: Table 8, Appendix C.

While there is apparently at present no difference in the overall levels of combined gross expenditure per capita as between Newfoundland and all the Canadian provinces, there does exist a notable variation in the expenditure priorities attaching to particular service areas. In this Province, above-average per capita fiscal allocations are required for social assistance, transportation and communications, industrial development, debt charges, natural resources and government enterprises. Below-average per capita allocations, on the other hand, are apparent with respect to education, protection, sanitation-waterworks, recreation and general government. In the very important area of health, no significant differerence is found. It is noteworthy that among all provinces in 1972, Newfoundland recorded the highest per capita expenditure in the transportation and industrial development sectors. It reported the lowest per capita expenditure among all provinces in the fields of recreation and sanitation-waterworks, two pre-eminently municipal functions. Apart from Quebec, it had the highest expenditure per capita on social assistance; apart from Nova Scotia, it had the highest expenditure per capita for debt charges. And it reported, lastly, with the exception of Prince Edward Island, the lowest per capita outlay on protection in all the Canadian provinces.

Detailed budgetary statistics on provincial expenditure activity from 1970 through 1974 can be seen in Table 8, Appendix B.

In view of their recent emergence and their limited range of functions, it is not surprising that, by the standards of most other provinces, Newfoundland's municipalities have a comparatively ill-developed expenditure structure. In 1972, for example, Canadian municipalities as a whole were responsible for fully 26.3 per cent of combined provincial-municipal public spending. The equivalent ratio in Newfoundland was 5.2 per cent. Estimates prepared by the Commission indicate the following per capita expenditures achieved during 1971 in the City of Corner Brook (Newfoundland's municipality with the highest expenditure per capita), in a sample of all major and many small local authorities in the Province, and in the municipalities within all ten Canadian provinces. These comparisons are set out in Table 3-16:

Table 3-16: Estimated Municipal Gross Expenditure Per Capita, Newfoundland, Corner Brook and all Canadian Provinces, 1971

	Municipal Expenditures Per Capita					
	All Nfld. Sample		City of Corner Brook		All Canadian Municipalities	
Expenditure Head	$	%	$	%	$	%
General Government	4.73	8.1	15.93	12.1	19.97	10.5
Protection Services (1)	14.86	25.7	29.75	22.7	32.52	17.1
Sanitation and Water-Sewerage Services	8.30	14.4	21.86	16.7	31.14	16.4
Public Works	7.55	13.1	19.21	14.6	51.45	27.1
Recreation and Community Services	1.60	2.7	2.41	1.8	17.17	9.0
Debt Charges	13.81	23.9	34.16	26.0	28.71	15.1
Other Expenditure	6.94	12.1	7.97	6.1	8.85	4.8
TOTAL EXPENDITURE	57.79	100.0	131.29	100.0	189.81	100.0

Sources: Statistics Canada sources cited in Appendix B; Commission's municipal financial survey, 1971.

(1) Includes the estimated cost to the Province of supplying city fire and police services.

This comparison, the most recent one which could be undertaken, shows that for the Newfoundland municipal system as a whole, total local outlays per capita have barely reached 30 per cent of the national average per capita level. Even in the City of Corner Brook, the equivalent ratio stands at only 69 per cent. This comparison, it will be noticed, is confined only to those functional areas common to all municipalities in the country. It is clear that in major expenditure sectors the pattern of per capita allocations in Newfoundland, with the exception of city debt charges, falls well below the national norm. City spending in respect of general government, protection and sanitation has achieved the highest relative levels, but these estimates include substantial provincial government assistance for fire and police services. In spite of the comparatively increased general public works activity during 1971, the average municipal per capita performance in this Province was less than one-fifth of that achieved in all Canadian municipalities. In the recreation and community services area municipal resource deficiencies are particularly glaring. It is a sobering comment on the prevailing fiscal environment that Newfoundland's municipality with the highest expenditure performance record should find it necessary to allocate a per capita amount in this area that reaches only 14 per cent of the Canadian average.

(h) *Public Debt*

Between 1970 and 1974 the per capita Direct Net Provincial Debt of Newfoundland increased from $777 to $1,597, a growth of 105 per cent. During the same period total guaranteed municipal debenture debt per capita grew from $70 to $81. The level of outstanding municipal bank loans guaranteed, usually for the purpose of initiating local water and sewerage capital projects, has increased rapidly in per capita terms from $10 in 1970 to $65 in 1974. Reference to Table 9, Appendix B, will indicate that although the municipal share of the provincial debt structure is increasing slowly when measured as a proportion of total Provincial Guaranteed Debt, at the same time it is actually decling in relation to Direct Net Provincial Debt and to Total Provincial Direct and Guaranteed Debt. Municipal debentures of all types outstanding currently amount to $44.6 million, while outstanding municipal bank loans amount to another $35.5 million. The combined Direct and Guaranteed Public Debt of Newfoundland, including its municipal element, now stands at $1,216.3 million.

According to Statistics Canada, the annual cost of debt carrying charges in Newfoundland during 1972, exclusive of retirement costs, had reached $115 per capita and had consumed 10.2 per cent of combined provincial-municipal gross expenditure. The most recent estimate for 1974 supplied by the Newfoundland Department of Finance indicates a total debt carrying charge for the Province amounting to $82.2 million ($149 per capita), or 10.9 per cent of total budgetary expenditure. It is not as yet possible to estimate municipal debt charges for 1974.

The most recent year for which the Commission could obtain accurate nation-wide data on combined provincial-municipal debt levels was 1970. This information is presented and analyzed in Table 12, Appendix C. Due to accounting differences, the estimate of direct debt provided by Statistics Canada on this occasion is much higher than that acknowledged by provincial officials. We have used the former estimate, however, in the interest of obtaining a valid and consistent comparison across all provinces. This comparison indicates that in 1970 Newfoundland's total public debt, both direct and guaranteed, and including the municipal component, amounted to $1,902 per capita. That amount is compared with $1,631 per capita for all ten provinces. Among all the provinces during that year, Alberta recorded the highest per capita total debt level ($2,213) and Saskatchewan the lowest ($1,195). To a greater or lesser degree, however, the guaranteed portion of any province's public debt is in fact, if not in law, fictitious debt. A more valid comparison, therefore, is one confined to combined provincial-municipal direct net debt. Using this measure, Newfoundland's indebtedness per capita in 1970 stood at $1,351 whereas the per capita average for all provinces was $1,102. By this latter standard, only Nova Scotia among all provinces had a higher per capita debt level ($1,543) than Newfoundland, while British Columbia — for well known reasons — reported the lowest per capita level in Canada ($644).

3. Summary

In this Chapter, the Commission has outlined broadly the conclusions of its inquiry into the basic economic and fiscal setting in which Newfoundland's municipalities currently operate, and which will to a great extent determine their capacity to develop in the years immediately ahead. The Newfoundland economy and the personal income of Newfoundlanders have been growing at average annual rates that surpass those in the nation generally. But locational and structural economic weaknesses, high unemployment and intractably low *levels* of income, both presently and in the foreseeable future, will surely impose severe fiscal limits on the ability of governments to divert significantly greater proportions of that income into the public sector. Although on the average they have grown more rapidly than those in all the provinces, Newfoundland's combined provincial-municipal revenues, exclusive of federal transfers, tend to be much less responsive or elastic with respect to income than those of some other provinces; they also tend to be produced in substantial measure by regressive, or potentially regressive, flat-rate consumption taxes.

Considered by themselves, the revenues of the Province have on some occasions grown more rapidly than the proportionately larger federal budgetary contributions. It is perhaps unfortunate that, in recent times, increases in these external funds have been due mainly to capital revenue flows. Strong total provincial fiscal growth, in short, is very clearly associated with accelerating public debt levels. Apart from Nova Scotia, the Province now carries the heaviest burden of annual debt carrying charges in Canada. In terms of its aggregate public expenditure per capita, Newfoundland attains a reasonable parity with the rest of Canada only by virtue of large annual infusions of federal funds. Payments in respect of a significant number of these incoming grants are conditional upon the Province's agreement to spend large, sometime equivalent amounts on the designated or shared-cost programmes. These commitments reduce budgetary flexibility, a condition which is further exacerbated by the need to spend above-average annual amounts on behalf of social assistance, transportation, debt charges, and industrial and resource development. Such a budgetary bias reduces the probability of securing adequate continuing fiscal allocations for education, health, protection and other essential services and programmes.

Except for the special cases of New Brunswick and Prince Edward Island, by general Canadian standards Newfoundland's municipal system is functionally restricted. Elaborate interprovincial comparisons of municipal revenue trend patterns, therefore, were not considered to be too relevant for this inquiry and were not undertaken in detail. But it is quite evident that in recent years the growth of revenues raised locally by municipalities within this Province has failed to keep pace with the increasing yield of provincial levies, exclusive of federal payments. While the real property tax has been producing relatively greater shares of locally-raised municipal revenue in all other provinces, its contribution to that revenue in Newfoundland has actually declined. Adequate growth levels of disposable local revenue have been achieved, if in fact they have been achieved, only through greater provincial, and to a lesser degree federal, fiscal contributions. But the manner in which the Province has assisted its municipalities during their recent period of rapid development, we suggest, has no equivalent in any other jurisdiction. In the following chapters of this report, these matters are examined in greater detail.

Chapter 4

The Attitudinal Environment

1. Introduction

Because of the unique qualities outlined in previous chapters, the Commission early determined that unlike similar inquiries in other provinces, it would need to obtain comprehensive and representative information on citizen attitudes toward local government in Newfoundland. Accordingly, it sought and was granted authority to conduct a broad inquiry into these attitudes during the summer of 1973.

Apart from dealing with a number of specific questions of interest to the Commission, the overall objective of the survey was to provide reliable information on the degree to which attitudes of ordinary citizens throughout the Province limit the successful operation of municipal government, as well as the degree to which they indicate opportunities for improved municipal government. Central questions faced by the Commission from the outset of its enquiry were addressed by this study:

- How had experience with local government to date affected Newfoundlanders' attitudes?
- Were ordinary citizens aware of the importance of municipal government, especially in relation to provincial and federal levels?
- Did people generally support or oppose municipal councils, and what was the basis for these tendencies?

The Commission directed that the attitude study be designed to solicit views bearing on these questions from a sample of citizens representative of the entire Province, with the exception of St. John's, Corner Brook and Labrador. It was considered that the size and maturity of the two city municipal systems would yield public attitude patterns similar to those prevailing in other jurisdictions where urban local governments have long been established and are broadly supported. Special complex questions to be dealt with separately in response to the St. John's Urban Region Study proposals also led the Commission to exclude that area from its attitude survey. Labrador was excluded for quite a different reason. The Royal Commission on Labrador was required to examine all aspects of public affairs in that part of the Province, including citizen attitudes toward municipal government. It was our understanding that an appraisal of these matters would in due course be presented to Government in the report of the latter Commission. The members of both Commissions, however, devoted a full joint session to an examination of the acute municipal problems in Labrador, particularly those in the communities on the coast.

The Commission's study of citizen attitudes was designed and directed by Professor Mark Graesser of Memorial University's Political Science Department, with operational assistance from the York University Survey Research Centre. Professor Graesser's complete study, "Attitudes toward Local Government in Newfoundland", is submitted as a supplementary document to this report. As an introduction to the full technical presentation, however, the Commission wishes to summarize in this chapter the major results of its inquiry into mass attitudes toward municipal government.

2. Description of the Survey

During May and June, 1973, 1,320 inhabitants of towns and rural settlements throughout the Province were interviewed. These individuals were carefully selected in accordance with the principles of probability sampling to assure accurate representation of all adults outside Labrador, Corner Brook and the St. John's urban region. First, all town and rural census divisions were grouped according to the population and type of municipal government, to assure that the diversity of Newfoundland communities would be fully represented in the sample. From these various categories of communities a total of 19 towns and rural areas were selected at random. These sample areas are listed in Table 4-1. All told, interviews were conducted in 77 distinct communities, some of which were in fact two or more small settlements comprising a single federal polling division. The accompanying map shows the overall dispersion of the sample throughout the province, from large towns such as Gander and Stephenville to isolated settlements such as Bellburns, Francois and Monkstown. Finally, within each of the 19 sample areas, from 50 to 100 individuals were selected at random from 1972 federal voters lists.* The result was a final sample of 1,756 individuals; virtually every eligible voter in the survey had an equal chance of inclusion, while roughly 1 in 100 was actually selected for an interview.

Of the total sample, 1,320 interviews were completed. Some selected individuals had moved from the area, were ill or were deceased. 84 per cent of the remaining "possible" respondents were interviewed, with only four per cent actually refusing — a remarkably high rate of co-operation for a study of this kind.

*After the interviews were completed and checked, all personal identifying information was destroyed to assure confidentiality. Similarly, no results are reported for individual communities smaller than major sample areas to avoid compromising the privacy of interviews in tiny settlements where only a few individuals were included.

Table 4-1: Areas Included in Survey Sample

Place or Rural Area	Types of Municipality Included[1] TC	RD	LID	C	UI	Number of Interviews[2] U	W
1. Gander	1	—	—	—	—	75	76
2. Stephenville	1	—	—	—	—	86	73
3. Bay Roberts	1	—	—	—	—	66	79
4. Marystown	1	—	—	—	—	89	80
5. Bishop's Falls	1	—	—	—	—	74	49
6. Stephenville Crossing	1	—	—	—	—	74	62
7. Badger's Quay-Valley field -Pool's Island	—	1	—	—	—	43	85
8. Baie Verte	1	—	—	—	—	73	37
9. Norris Arm	1	—	—	—	—	38	47
10. Cupids	1	—	—	—	—	39	58
11. Elliston	1	—	—	—	—	40	65
12. Southwest Coast	—	—	1	—	6	71	82
13. Eastport Area	—	—	1	7	3	71	83
14. Dark Cove-Middle Brook -Gambo	—	—	1	—	—	91	98
15. St. Barbe South	—	—	1	4	1	71	72
16. Pasadena-Humber Arm	—	—	—	6	2	78	45
17. Southern Shore	—	—	—	5	8	74	53
18. Placentia Bay West	—	—	—	4	6	90	128
19. Bonavista Peninsula	—	—	—	4	6	77	114
Total number of Communities and Interviews	10	1	4	30	32	1,320	1,386

[1] TC - Town Councils
RD - Rural Districts
LID - Local Improvement Districts
C - Community Councils
UI - Unincorporated Places

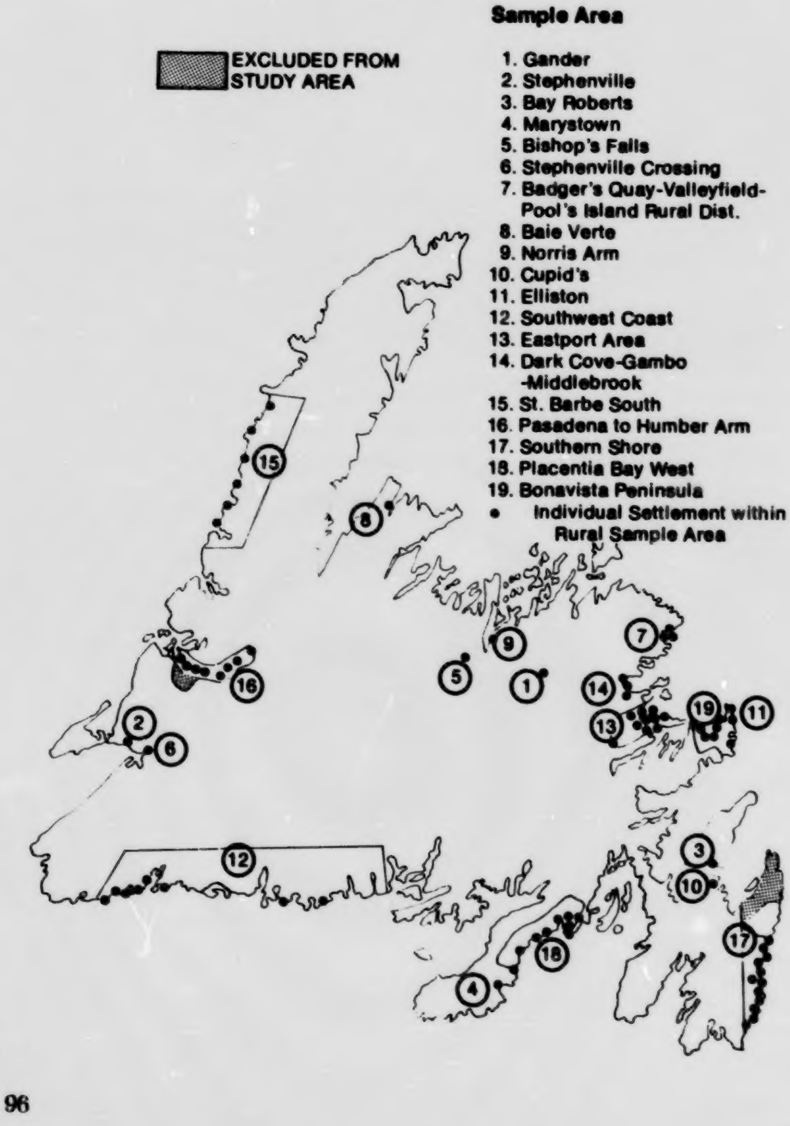
[2] U - Unweighted total
W - Weighted total: Interviews in each sample area are weighted variously to compensate for differences in population proportions sampled. Weighted totals provide the most accurate reflection of province-wide patterns, and will accordingly be used in this report.

Figure 4-1

Attitudes Toward Local Government in Newfoundland

Royal Commission on Municipal Government

Areas and Settlements Included in Survey Sample
May - July 1973



Sample Area

▨ EXCLUDED FROM STUDY AREA

1. Gander
2. Stephenville
3. Bay Roberts
4. Marystown
5. Bishop's Falls
6. Stephenville Crossing
7. Badger's Quay-Valleyfield-Pool's Island Rural Dist.
8. Baie Verte
9. Norris Arm
10. Cupid's
11. Elliston
12. Southwest Coast
13. Eastport Area
14. Dark Cove-Gambo-Middlebrook
15. St. Barbe South
16. Pasadena to Humber Arm
17. Southern Shore
18. Placentia Bay West
19. Bonavista Peninsula

● Individual Settlement within Rural Sample Area

Table 4-2 indicates the proportion of persons interviewed who resided in each type of municipality, as compared with similar proportions for the actual population represented.

Table 4-2: Distribution of Sample and Population by Municipal Type

Municipal Type	Survey Sample*		Actual Population**
Town Council	(627)	45.2%	51.7%
Rural District	(83)	6.0	
Local Improvement Dist.	(169)	12.2	7.7
Community Council	(314)	22.7	13.6
Unincorporated Place	(192)	13.9	27.0
TOTALS	(1,386)	100.0%	100.0%

*Weighted Sample
**Calculated from 1971 Census

The completed sample was divided evenly between individuals residing in communities of less than 1,000 and those in larger towns. It was distributed as follows:

Population of Respondent's town*	%
0- 249	17.0
250- 499	12.8
500- 999	20.7
1,000-2,499	16.7
2,500-5,000	22.1
5,000-larger	10.8
*1971 Census	100.0

Other characteristics of the survey sample correspond closely with 1971 Census figures for the population represented, indicating the overall accuracy of the sampling method. (Table 4-3)

Table 4-3: Comparison of Sample and Population by Sex and Age

Respondent Characteristics		Sample	1971 Census
Sex			
	Male	52.1%	51.3%
	Female	47.9	48.7
Age			
	18-24 years	16.9	22.0
	25-34	21.1	20.5
	35-44	17.6	17.2
	45-54	18.2	16.0
	55-64	12.5	12.5
	65-older	13.1	11.8

The 1,320 interviews were conducted by approximately 40 interviewers, most drawn from the local community or region, working under the supervision of three district field supervisors, also recruited locally. Overall administration of fieldwork, including interviewer training, was handled by the York University Survey Research Centre, working in liaison with Professor Graesser. All told, more than 100 specific questions and subquestions were put to each citizen who was contacted. These included a number of "open-ended" questions which allowed the respondent full freedom in giving answers. Most interviews were completed within 40 to 60 minutes, but some lasted well over an hour to allow a full expression of the individual's views. Interviewers reported that more than one-third of the sample (35%) were "very interested and responsive"; and that 46% were "co-operative and fairly responsive"; and that 16% were "reserved, shy or limited in their responsiveness"; and that only 3% were "unco-operative or negative".

The Commission is aware that this is the first occasion in Canada on which the public attitude survey technique has been used by a provincial commission on local government. We have found the technique most useful, since it has provided important and representative information on Newfoundland's current municipal problems as they are seen and experienced by the public at large. This information is an indispensable supplement to that which has been provided on more technical matters by the many municipal officers and other persons who attended the Commission's public hearings, or who communicated their views to it through briefs, submissions and letters.

Because of the public interest in a study of this kind, we include a complete list of the questions asked, together with the province-wide response patterns, in *Appendix F* of this report. Those who wish to examine the statistical and technical basis upon which the study was executed, or who wish to see the study director's detailed analysis of the aggregate responses, should refer to the supplementary attitude survey report.

3. Social Characteristics of Persons Interviewed

Before presenting the major results of the public attitude survey, the Commission wishes to set out a social profile of the persons interviewed. It might be noted that this profile stands as a capsule portrait of the provincial population outside of St. John's, Corner Brook and Labrador, supplementary in some ways to existing information from the census and other public sources.

(a) *Family Characteristics*

More than three-quarters (78%) of the persons in the sample were married, 15 per cent were single and the remainder were widowed, separated or divorced. Excluding single individuals, 60 per cent of those interviewed had substantial families of three or more children, as indicated below:

Number of Children	%
No children	9
1-2 children	32
3-4 children	27
5-6 children	16
7 or more children	16
N	(1,164)*

*Excludes single respondents.

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*In the summary of attitude survey results which follows, percentages reported in the text and in tables are based on the weighted provincial sample of 1,386 interviews, excluding the cases of "don't know", "no answer", or "question not asked", unless otherwise specified.

Nearly half (47%) of the respondents were heads of their own household; 32 per cent were spouses of the head of the household; most of the remainder (19%) were children or relatives of the head of the household. The great majority (90%) of the respondents lived in homes owned by the head of the household rather than in rental or other other un-owned homes.

(b) *Education, Occupation and Income*

Education levels attained by respondents ranged from 4.5 per cent who had received no formal schooling to a similar proportion with some post-secondary or university training, with the largest number having six to nine years of schooling. However, as Table 4-4 indicates, this overall low level of formal education shifts upward markedly for younger respondents who have had greater opportunities to continue in school than the older generations.

Table 4-4: Education by Age Groups

Years of schooling	Total Sample	Ages 18-34	Ages 35-54	Ages 55 and up
No schooling	4.5%	0.2%	3.4%	12.7%
1-5 yrs. (Grade 5)	18.8	3.6	21.1	38.3
6-9 yrs. (Grade 9)	40.8	43.4	46.1	29.6
10-13 yrs. (H.S., Vocational or Trade School)	28.7	40.5	24.2	17.1
Some university; teacher or nurse training	4.9	8.3	3.4	1.9
University graduate	2.3	4.1	1.8	1.3
N	(1,382)	(526)	(494)	(354)

Only one-third of all respondents were employed on a full-time basis, while 10 per cent reported themselves as being unemployed at the time of the interview. Nearly half of the sample was "economically inactive" in the sense of being housewives, students, retirees, or persons medically unable to work. In order to present a composite picture of the employment status and occupation of respondents, Tables 4-5 and 4-6 list percentages for respondents themselves, and also for their family units. The latter figures are based on the employment status and occupation reported for the head of household if that person was the respondent himself, the respondent's spouse, or the respondent's parent or relative if the respondent was under 25 years of age. In all other cases (such as older respondents living at home), the "family" status is that of the respondent himself.

Table 4-5: Employment Status of Respondents and Family Heads

Employment Status		Respondent	Family Head
Fully employed		34.0%	51.9%
Part-time employed		7.8	7.7%
Unemployed		10.3	16.0
Economically inactive:		47.9	24.4
— Housewife	34.1%		
— Retired	9.6		
— Student	2.3		
— Sick or disabled	1.8		
N		(1,385)	(1,381)

Table 4-6: Occupation of Respondents and Family Heads

Occupation*	Respondent	Family Head
Labourer (unskilled, unspecified)	9.5%	14.6%
Fisherman, farmer	9.5	16.0
Semi-skilled worker (woods, mine, mill, fishplant)	9.1	10.3
Skilled worker or craftsman (carpenter, electrician, etc.)	12.7	23.8
Service worker (repairman, driver)	11.1	10.6
Sales, office work; small business operator	12.8	9.0
Medium-large business owner/manager; civil servant; teacher; merchant	6.4	7.0
Professional (requiring degree); doctor, lawyer, school principal	1.3	1.5
Economically inactive (student, housewife)	27.6	7.2
N	(1,353)	(1,344)

*Unemployed, partially employed, and retired respondents were asked to report their last full-time job.

Respondents were also requested to estimate family income by answering the following question:

> Q. 71 *Using this card, please tell me the letter of the category that best represents the yearly income, from all sources, of the head of this household.*

As with all questions, respondents were free to decline to answer this question, and 234 (18% of 1,320 in the unweighted sample) did so. Of those who did answer, responses fell in the following pattern:

Income Category	%
A. Under $2,000	18.3
B. $2,000 - $3,999	24.2
C. $4,000 - $5,999	22.1
D. $6,000 - $7,999	16.1
E. $8,000 - $9,999	8.6
F. $10,000 and over	10.7
N	(1,122)

(c) *Status in Community*

Fully 50 per cent of the persons interviewed were born in the community where they now reside, and only 3 per cent came from outside the Province. 61 per cent considered their present location their "home town", and 80 per cent had lived there for at least 10 years. The 11 per cent who are "recent arrivals" (within 5 years) were concentrated in larger centres such as Marystown and Stephenville. Overall, members of this representative sample of Newfoundlanders had deep roots in their local communities.

A number of questions were asked to elicit further information about the individual's community attachment and involvement, some of which will be presented later in this chapter. However, two questions of particular relevance to local government will serve to complete this preliminary profile of the sample. Every respondent was asked to characterize his or her own status in the community:

Q. 17 *People have different ideas of just how they fit into the affairs of their community. Which of these four ways describes yourself?*	
. . . A person who takes a lead in getting things done in the community.	11%
. . . A person who is active in community affairs but not one of the leaders.	30%
. . . A person who is part of the community, but keeps pretty much out of community affairs.	51%
. . . A person who is not really part of the community at all.	8%
	100%
("Don't know" excluded)	N (1,326)

The self characterization provided by individuals in answer to the above question agrees closely with evidence from a number of other questions about personal community activity and social status, and therefore, the pattern of responses can be taken as a reasonable cross-section of levels of involvement of the sample as a whole. Although a significant proportion of the persons interviewed reported various kinds of informal community activity, very few had been officially involved in municipal affairs. 23 respondents (1.7%) were presently municipal council or local improvement board members and another 27 (2.2%) had been past members. Nine respondents said they had been candidates for municipal office. In all, fewer than 5 per cent could be considered to have "official" municipal experience. In this regard the attitude survey is indeed representative of the public at large.

4. Attitudes Toward the Community

Municipal government in its essence is community government. A strong sense of community identity, pride and responsibility among citizens is a vital part of the foundation of effective local government. It is a common observation that the people of Newfoundland, to a greater degree than most Canadians, have a strong and positive attachment to their local communities and to their Province. That supposition is confirmed by responses to the series of four questions summarized in Table 4-7:

Table 4-7: Feelings for the Community by Community Population

		Community Population			
	Total Sample	0-499	500-2499	2500-4999	5000
Q. 3 *How do you generally feel about this town as a place to live? Would you say it is . . .*					
. . . very good	52%	53%	52%	49%	59%
. . . good	39	37	38	42	36
. . . not so good	9	11	10	9	5
Q. 4 *Over the past five years or so, has this town become . . .*					
. . . a better place to live	57%	49%	57%	63%	67%
. . . stayed about the same	37	45	38	32	26
. . . gotten worse	6	6	5	5	7

Table 4-7: Feelings for the Community by Community Population

		Community Population			
	Total Sample	0-499	500-2499	2500-4999	5000
Q. 5 *Compared to the rest of Newfoundland would you say progress here is . . .*					
. . . ahead of most places	12%	6%	7%	13%	43%
. . . about average	62	61	64	67	51
. . . falling behind	26	33	30	20	7
Q. 6 *If you had your choice, would you prefer to stay here or is there another place you wou rather live?*					
. . . stay here	82%	83%	81%	85%	78%
. . . move elsewhere in prov.	15	16	16	13	9
. . . move to Canada, U.S.	3	1	3	2	13

The Commission notes that the great majority of those questioned were generally satisfied with living conditions in their communities, and only 18 per cent expressed a preference to live elsewhere. On the whole, this was true of Newfoundlanders in both large towns and small, although larger communities were perceived as being *relatively* better off. Of related interest is the fact, pointed out in the preceding section, that only 8 per cent of all respondents felt they are "not really part of the community here at all"

Clearly there is no lack of community attachment in the attitudes of Newfoundland's citizens. The Commission is aware that strong community ties form only a background for strong municipal institutions, and may even retard progress if expressed as narrow and jealous parochialism. Furthermore, the *general* satisfaction with local conditions expressed here did not preclude respondents from identifying numerous *specific* community problems when given the opportunity to do so later in the interview. The Commission is nonetheless pleased to report a broad and basic support for community life in Newfoundland.

In another series of questions, each person was asked if he or she generally "agreed" or "disagreed" with each of several statements applied to "affairs in your community". A majority *agreed* with each of the following:

> *This community has good leadership in dealing with its problems. (Q. 53a, 58% agree.)*
>
> *One reason it is hard to get things done around here is that people are divided among themselves. (Q. 53b, 63% agree.)*
>
> *Ordinary citizens don't have enough say in community decisions. (Q. 53e, 74%* agree.)
>
> *Outside officials and agencies don't really understand the needs of this community. (Q. 53g, 75% agree.)*

Respondents were evenly divided on the proposition that . . .

> *Important community decisions are best left up to a few leading citizens. (Q. 53C, 46% agree, 45% disagree.)*

Finally a majority disagreed with the suggestion that . . .

Public meetings here generally stir up more trouble than they are worth. (Q. 53f, 57% disagree.)

Although there is no simple interpretation of the reaction of our sample to such varied ways of looking at their communities, we note here some perceptions of possible avenues for improved community life, working from basic support for local leadership. Internal divisions are seen as a problem, as is the remoteness of outside agencies. There seems to be a feeling on the part of many citizens interviewed that a greater effort should be made to involve a broader segment of the community in local decision-making.

5. Citizen Interest and Involvement in Local Government

From the beginning of its inquiry, the Commission was concerned about widespread suggestions that Newfoundland citizens know or care little about municipal government. Traditionally, local communities have been highly dependent on the government in St. John's, supplemented more recently by that in Ottawa, for major public works and services. Does this imply that today's citizens remain sceptical of the potential of their own local institutions to supplant, at least in part, provincial and federal governments? Against the background of this broad concern, the Commission included in its survey a number of questions to elicit from each respondent his general interest in local government, his perception of its effect on his life, his knowledge of municipal officials, and his direct involvement in local public affairs.

(a) *Relative Interest in Local Affairs*

Each interview included a standard question asking the respondent to place himself in one of four categories indicating his degree of general inest "in government and public affairs" (Q. 19). We see in Table 4-8 that the overall Newfoundland level of interest did not differ markedly from that observed in a survey of all Canadian voters which used the same question.

Table 4-8: General Interest in Government in Newfoundland and Canada

Interest Level	Newfoundland	Canada*
A good deal of interest	27%	26%
Some interest	48%	44%
Not much or no interest	25%	30%
Number of cases	(1,380)	(8,164, weighted)

*1965 Canadian National Election Study, conducted by Professor John Meisel and others. Data from Inter-University Consortium for Political Research, Ann Arbor, Michigan.

When Newfoundland respondents were then asked to state "What kinds of public affairs interest you most — national, provincial or local community?" a striking pattern of responses resulted: "Local or community affairs" were found most interesting by twice as many people as the two higher levels of government combined.

Q. 20 *What kinds of public affairs interest you most . . .*

. . . national affairs	**5%**
. . . Provincial affairs	**16%**
. . . Local or community affairs	**40%**
National & Provincial equally	**3%**
Provincial & Local equally	**8%**
All equally	**27%**
None	**2%**
N	**(1,243)**

Further analysis of responses to this question revealed the following patterns. Individuals in smaller communities were more likely to be most interested in local affairs, and those in larger towns in national affairs. Women, individuals aged 55 years or older, long-time local residents, those with less than 10 years of education, and those with low general government interest were all most likely to be interested in *local* affairs; the opposite generally held for provincial and national affairs. However, for all such groups but one, local affairs still attracted at least a majority of respondents. The exception was the small group (7% of the sample) with some post-secondary education, among whom provincial affairs outweighed local, and with national and "all equally interesting" also ranking high. A supplementary question was put to respondents in all incorporated areas: "*. . . Would you say that the people here take an active interest in council?*" (*Q. 45*). A 60 per cent majority replied "yes", ranging from a low 53 per cent in local improvement districts to 65 per cent in community councils. Among population categories, places below 500 again responded most positively (69% "yes"). Some sample areas, however, ranged as low as 36 per cent and others as high as 81 per cent "yes".

While there is an undisputed overall tendency for those interviewed to express a strong interest in local government affairs, the pattern of these responses suggests that an element of simple parochialism may be intermixed with a more positive bent for local self-reliance. This latter predisposition, however, should be interpreted with caution. As we indicate in later chapters, there are strong negative behaviour patterns recorded with respect to the willingness to contribute the needed local taxation resources essential to achieving a practical local autonomy.

(b) *Relative Personal Effect of Local Government*

Going beyond mere "interest" in public affairs, interviews included a series of questions designed to determine the extent to which different levels of government are perceived as having an effect on the respondent's own life. Here it is assumed that individuals will regard most seriously those areas of government which have a direct bearing on one's personal interests.

Table 4-9: Personal Effect of Government Levels

Q. 21a *Think about the national government in Ottawa — its laws, services, taxes and so on. How much effect do you think it has on you and your life? Does it have . . .*

Q. 21b *Now take the provincial government in St. John's, about how much effect does it have on you and your life? Does it have . . .*

Q. 21c *(Incorporated areas only) What about the municipal government (in this town) the town council/community council/Local Improvement District — how much effect does it have on your life? Does it have . . .*

	National	*Provincial*	*Municipal*
. . . A great deal?	*30%*	*28%*	*27%*
. . . Some effect?	*46*	*50*	*45*
. . . Almost none?	*24*	*22*	*28*
	N (1,252)	*N (1,299)*	*N (1,130)*

Overall, a very similar pattern of responses was given to each level of government; they seem to be viewed as equally important. Each respondent's answers to the three questions have been combined to indicate whether he viewed municipal government as being *relatively* more or less important than the other levels. Table 4-10 shows that the total sample was evenly distributed in these terms, but that those in smaller communities were far more likely to see municipal government as having greater relative effect. The fact that those in larger towns (Gander and Stephenville) tend to view municipal government as having both the lowest *relative* effect and the highest *absolute* effect (Q. 21c) is explained by the fact that these people view government at all levels as being more important to their personal lives.

Table 4-10: Relative Effect of Municipal Government by Community Size

	Population of Community				
Relative Effect of Municipal Government	**0-499**	**500-2499**	**2500-4999**	**5000-larger**	**Total Sample**
Municipal effect higher than other levels.	34%	26%	28%	14%	27%
Municipal has same effect as other levels.	38	44	43	46	43
Municipal effect *lower* than other levels.	28	30	29	40	31
	100%	100%	100%	100%	100%
Municipal government has "Great Deal" of effect	29%	25%	25%	32%	27%
N (1,130)					

Consistent with tendencies shown in the above table, respondents in community council areas were most likely, and those in town council areas least likely, to see municipal government as having a greater effect on their lives. Women were somewhat more likely to view municipal government as more important, as were long-time community residents and people with low or medium general government interest. Older people (over 54 years) were *least* likely to view local institutions as being more important, tending instead to the traditional view of provincial government as being dominant; respondents under 35 years were most likely (by a small margin) to stress the significance of local government. No clear tendencies divided educational groupings in this regard, although higher educated individuals definitely tended to see *all* levels of government as having more effect on their lives than did those lower on this scale.

(c) *Relative Knowledge of Municipal Officials*

If citizens are to relate effectively to various levels of government, they must at a minimum be able to identify responsible officials. The Commission's attitude survey applied a very elementary test of each respondent's knowledge in this regard, asking him to name his federal Member of Parliament (Q. 28), his provincial Member of the House of Assembly (Q. 27), and (in incorporated areas) the mayor or chairman and other members of municipal council or local improvement district board of trustees. The names reported were subsequently coded for accuracy. The resulting pattern continues the overall tendency in favour of municipal government. (Table 4-11)

Table 4-11: Knowledge of Federal, Provincial and Local Officials

				Officials Correctly Named	
	MP	MHA	Mayor or Chairman	(1 or more)	Avg. No.
Total Sample	68%	74%	85%	77%	1.8
Municipal Type-					
Town Council/R.D.	60%	72%	90%	78%	1.8
Local Imp. Dist.	73%	77%	84%	71%	1.5
Community Council	80%	77%	72%	78%	2.0

We note that, overall, municipal mayors and chairmen are better known to citizens than are federal and provincial elected representatives for the locality. In town council areas, nine out of ten respondents correctly named their mayor, with somewhat lower proportions in local improvement districts and communities. A somewhat different pattern emerges with respect to municipal councillors: here an average of 2.0 community councillors were correctly named, compared with 1.8 town councillors and only 1.5 appointed local improvement district board members.

The tendency to identify local officials more readily than others holds for all sex, age, education and social categories, with the sole exception of the small proportion of respondents (12%) who had lived in their community less than five years. As might be expected, those with higher education or greater general government interest were more likely to name officials at all levels correctly, but this distinction is most pronounced for federal officials and least for municipal, the latter remaining best known nonetheless.

(d) *Local Civic Activity*

Since local levels of government are often assumed to offer the primary opportunity for "participatory democracy", and since they in turn require relatively high levels of voluntary citizen involvement for vitality, the Commission wished to receive from its attitude survey an indication of existing levels of civic participation as well as the potential for expansion of such involvement. As we noted in Section 3 above, only four per cent of our respondents had actually taken part in municipal affairs as elected or appointed councillors. However, interviewers asked each individual if he or she had engaged in a number of less formal civic or political activities. Some of these, dealing with provincial and federal elections, are not of direct relevance to ongoing municipal and community affairs.*

Table 4-12: Four Forms of Local Civic Activity

		Yes	No
1. *Have you attended a public meeting about community affairs or some other local matter within the past year (or ever)?*		18%	65%
	(ever)	36%	
2. *Have you ever contacted an M.H.A., M.P., or some other government official or office about some problem? (Q. 16)*		21%	79%
3. *Aside from paying taxes or buying a license, have you personally had any contact or business with the municipal council? (Q. 42: Incorp. areas only)*		19%	81%
4. *Have you ever joined or worked with a citizen's committee or other group to improve conditions in the community (Probe: A Development Association, School Board or something like that)?*		10%	90%

In general, the forms of activity listed in Table 4-12 above may be said to constitute methods of actually getting something done for one's self, group or community, and in this sense are more significant than periodic voting in elections. To facilitate the exploration of where and by whom such acts are most likely to occur, responses to the four questions have been combined into a single "Civic Activity Index". An individual with a "low" score of 0 on this index engaged in none of the indicated acts, whereas a "high" score of 4 indicates all four forms of participation. Almost half of our sample scored "0" on this index, having engaged in none of the indicated acts, while only 25 per cent had engaged in all four.

Civic Activity Index

Low	0	48%
Medium	1	31%
High	2	14%
High	3	6%
High	4	2%

Any individual who had undertaken as many as two of these seemingly elementary activities falls statistically into a relatively exclusive upper quarter of the total sample. A more detailed profile is provided in Tables 4-13 and 4-14 on the following pages, which summarize the average level of civic activity for a number of basic community and personal subgroups.

***We note as a matter of background interest the following comparison of levels of reported electoral activity in Newfoundland and Canada as a whole:**

	Nfld.	Canada
Voted in last Federal Election	82%	86%
Voted in Last Provincial Election	81%	84%
Attended campaign meeting	34%	15%
Personally did campaign work	11%	5%

(Canadian data from 1965 Canadian National Election Study, conducted by John Meisel and others. Distributed by Inter-University Consortium for Political Research, Ann Arbor, Michigan.)

In terms of municipal differences, we note that local government communities seem to be the most conducive environment for civic participation, with towns and rural districts at a midpoint, and local improvement districts ranking low along with unincorporated settlements. However, it is the largest places (over 5,000 population), followed by the smallest (under 500) which display the highest activity levels. We cannot conclude that municipal structure in itself is highly determinant of opportunities and motivation for citizen involvement, although the marked distinction between community councils and local improvement districts remains noteworthy.

Factors unique to each locality around the Province seem to be important in determining levels of citizen activity. We note the striking contrast between St. Barbe South, with a high average score of 1.27, and Elliston, which averages only one-third that level with a score of .40. The other nineteen sample areas are ranged between these two extremes.

Table 4-13: Civic Activity and Interest in Running for Council by Community Characteristics

	Civic Activity Index* (Average Score)	Run for Council?**	
		Interested	If Asked
Total Sample	.81	11%	12%
Municipal Type			
Town Council/R.D.	.77	7%	11%
Local Imp. Dist.	.72	17	10
Community Council	.98	15	14
Unincorporated	.72	-	-
Population			
0-499	.88	17%	12%
500-2499	.70	9	11
2,500-4999	.76	8	12
5,000-larger	1.05	10	14
Sample Area			
St. Barbe South	1.27	21%	8%
Gander	1.08	10	7
Stephenville	1.01	11	22
Norris Arm	1.00	3	8
Baie Verte	.97	6	11
Placentia Bay West	.94	8	21
Pasadena-Humber	.92	5	18
Stephenville Crossing	.91	10	14
Bishop's Falls	.87	7	14
Bonavista Peninsula	.82	27	5
Dark Cove-Gambo-Middle Brook	.78	14	10
Marystown	.78	6	12
Eastport Area	.70	14	16
Bay Roberts	.67	3	13
Southwest Coast	.65	25	4
Southern Shore	.61	12	4
Badger's Quay Rural District	.54	Not Asked	
Cupids	.44	8	3
Elliston	.40	3	5

*Individual scores range from 0 to 4.
**Q. 47, Q. 48.

Turning to personal characteristics of respondents, we find generally expected patterns of involvement. Males rank significantly higher than females (despite the fact that women elsewhere expressed greater relative interest and concern over local affairs, and revealed only slightly less knowledge of local affairs than men.) Respondents aged 18-34 years rank low, and the middle-aged category (35-54) the highest. Levels of participation increase consistently with levels of formal education. Newcomers in town (less than 5 years' residence) are least involved but immigrants of longer standing rank above those born or raised locally. Individuals who called themselves local "leaders" in response to Question 17 also rank at the top in reported civic activity, followed by the "active", "just part of the community", and "not part of community" categories. Finally, those who expressed high general political interest reported several times as much civic activity as those who said they had "not much" or "no" general interest.

We conclude this profile of "civic activists" by summarizing in Table 4-15 response patterns of those at various levels of civic activity to the several questions discussed previously in this section on local government interest and awareness. Noteworthy in this table is the fact that "high civic activists" were less likely to direct their interest outside the local community than were highly educated and politically interested respondents on the whole. The perceived effect of local government (Q. 21c) and knowledge of local councillors (as well as MHA's and MP's) were markedly greater among civic activists than among non-activists.

Table 4-14: Civic Activity and Interest in Running for Council by Personal Characteristics

	Civic Activity Index* (Average Score)	Run for Council?**	
		Interested	If Asked
Total Sample	.81	11%	12%
Sex			
Male	1.02	13%	15%
Female	.57	8	9
Age			
18-24	.55	8	14
25-34	.83	13	13
35-54	.97	10	15
55-older	.72	11	4
Education			
0-5 years	.62	12%	6%
6-9 years	.76	12	13
10-13 years	.91	7	12
Post-secondary	1.28	12	16
Length of residence			
Always, since child	.77	11%	12%
5 or more years	.91	10	12
0-4 years	.70	8	12
Place in community (Q. 17)			
Leader	1.38	20%	10%
Active	1.09	14	19
Part in community	.59	8	9
Not part	.51	4	12

Table 4-14: Civic Activity and Interest in Running For Council by Personal Characteristics

	Civic Activity Index* (Average Score)	Run for Council?** Interested	If Asked
Government Interest (Q. 19)			
Great deal	1.22	14%	18%
Some	.75	9	11
Not much, none	.46	9	6

*Individual scores range from 0-4.
**Q. 47, Q. 48.

Table 4-15: Interest in Government, Perceived Municipal Effect and Knowledge of Officials by Civic Activity Levels

	Total Sample	Civic Activity Index Low	Medium	High
Affairs most interesting (Q. 20) (excluding mixed responses)				
National	8%	10%	5%	9%
Provincial	27	25	30	24
Local Community	65	65	65	67
	100%	100%	100%	100%
Perceived Municipal Effect (Q. 21c)				
Great Deal	27%	24%	25%	37%
Some	45	45	48	40
None	28	15	9	5
	100%	100%	100%	100%
Knowledge of Officials				
Mayor or Chairman	85%	78%	89%	92%
Councillors (7 or more)	60	47	65	81
MHA	75	67	79	86
MP	68	57	75	81
	100%	100%	100%	100%

To indicate further the potential for active municipal involvement in Newfoundland, all respondents in incorporated areas were asked if they would be interested in running for election to council at the next opportunity. (Q. 47 and Q. 48 — In local improvement districts, this question required the qualification "If an elected council were formed here . . .") A surprisingly high 11 per cent of those asked replied that they would be interested in running for election, while an additional 12 per cent agreed that they would run when interviewers further asked, "What if people you respected asked you to run?" The Commission recognizes that it is one thing to express privately a willingness to make such a step and quite another actually to step forward and enter a local election. Nonetheless, if more than one-fifth of all respondents acknowledge at least the possibility of their becoming contestants for office, we would seriously question frequently heard suggestions that massive public apathy is a major obstacle to successful municipal government.

Responses to this question are further broken down in Tables 4-13 and 4-14 above, dealing with civic activity levels. Respondents in local government communities and local improvement districts were more likely than those in town council areas to see themselves running for office, as were those in small settlements. Again, there is a great deal of variation around the Province, from a combined 36 per cent "interested or willing to run" in the Southwest Coast (all in the new Rose Blanche L.I.D.) to only 8 per cent in the Elliston town council area. Men were more likely than women to express a willingness to participate in municipal politics, but different age, education and length or residence levels display little overall variation. Self-designated "leaders" and "activists", and those with high general political interest are predictably above average in their desire to become actively involved. In terms of the "Civic Activity Index" described above, 38 per cent of those in the "high" category were either interested in or willing to run for council, with the proportion rising to a full 50 per cent of those who scored "3" or "4" on the index. This compares with 17 per cent of those on the low end of the CAI scale.

6. Community Problems and Their Solution

To provide a measure of the specific tasks confronting municipal governments across Newfoundland, and to assist in assessing the degree to which local councils are meeting these needs, the attitude survey included a number of questions dealing with community problems and their solution. Some of these called upon citizens to judge the adequacy of specific services, facilities and regulations for which municipalities may be responsible. These opinions are summarized in the following chapter, which deals with Newfoundland's local service environment. In the present section, we review responses only to a general question asking respondents to name "the biggest single problem" of their community, as reported in Table 4-16:

Table 4-16: Major Community Problems

Q. 10 *Taking into account all the problems that a town or community may have, what do you think is the biggest single problem facing this town right now?*

Major Categories*	
1. Water and/or sewerage	26.4%
2. Jobs, economic conditions	23.1
3. Roads, transportation, communications	13.6
4. Housing	6.0
5. Medical, educ., other community facilities	5.8
6. Other municipal services (garbage, etc.)	4.8
7. Recreation, social activities	4.6
8. Municipal government	3.1
9. Environment (dogs, pollution, etc.)	2.9
10. Other (social problems, govt. neglect)	2.2
No major problem	7.4
Total	100.0%
N	(1,180)**

*See codebook for detailed breakdown.

**"Don't know": 201 cases or 14.6% of total sample, excluded from all totals in this section.

More than one of every four persons who answered this question cited the need for improved water or sewerage facilities as the biggest problem in his community. This level of concern was approached only by one other problem area namely the lack of employment and economic opportunity, which was cited by 23 per cent of all respondents. Water and sewerage was reported as the leading problem area in 30 of the 76 individual communities sampled, and in seven of the nineteen sample areas. Overall, these results confirm impressions received by the Commission at its public hearings and from other sources: there can be little doubt that the single greatest need currently to be met by municipal government, as expressed by people across the Province, is the extension or improvement of these basic facilities in numerous communities. Among the next two most frequently mentioned problems, employment opportunities and improvement of roads, the former cannot be regarded as a responsibility of municipal government in its present form, while the latter is partly a local service function.

The province-wide pattern of local problem areas summarized above obscures significant variations within the different localities surveyed. These differences may be seen in Table 4-17, which highlights trends within communities of different size and municipal form, and in Table 4-18, which breaks responses down into the nineteen sample areas. We note that water and sewerage was of virtually no concern to respondents in the larger towns of Gander, Stephenville and Baie Verte, as well as along the Southern Shore of the Avalon Peninsula. Elsewhere, it consistently was mentioned as a problem, reaching a peak in Norris Arm with 64 per cent regarding it as the salient problem. We also note that of our small unincorporated sub-sample, only 10 per cent identified water and sewerage as the principal local problem. The need for local jobs was expressed to some degree through the Province, but notably less in some localities than others, and less in communities below 500 population as compared with larger places. Improved roads and transportation links was a distinctly rural concern, and housing an urban one.

Table 4-17: Major Community Problems by Population and Municipal Status

"Biggest Problem Facing this Town"

	Water, Sewer	Jobs, Econ.	Roads, Transp.	Housing	Other	None
Total Sample (N=1,180)	26%	23%	14%	6%	24%	7%
Population						
0-499	26%	14%	26%	0%	26%	8%
500-2499	31	27	12	2	20	8
2,500-4999	33	29	5	5	20	8
5,000-larger	2	27	2	39	29	1
Municipal Status						
Town Council/R.D.	22%	30%	8%	13%	19%	8%
Local Imp. Dist.	43	22	6	0	23	6
Community Council	36	16	13	0	28	7
Unincorporated	10	12	40	0	30	8

Percentages total 100% across columns. "Don't know" and "No answer" excluded.

Table 4-18: Major Community Problems by Sample Area

"Biggest problem facing this town"

(Three most frequently-mentioned problems in each area circled, if 10% or greater)

	Water, Sewer	Jobs, Econ.	Roads, Transp.	Hous-ing	Munic. Serv.	Recre-ation	Med., Educ.	Munic. Govt.	Envi-ron.	Others	No Prob.
Total Sample (N=1,181)	26.4%	23.1%	13.6%	6.0%	4.8%	4.6%	5.8%	3.1%	2.9%	2.2%	7.4%
Gander	2	⑩	2	(52)	3	⑭	8	5	0		0
Stephenville	1	㊺	1	㉕	0	3	7	6	⑦	4	1
Bay Roberts	㊳	㊷	⑩	0	0	0	2	4	0	0	4
Maystown	㊶	⑩	1	⑱	1	8	4	0	1	1	15
Bishop's Falls	6	㊹	8	5	3	⑯	6	3	⑧	2	0
Stephenville Crossing	⑲	㉖	6	4	4	7	⑪	2	9	2	11
Badger's Quay R.D.	㊱	(57)	④	0	0	0	0	0	0	0	4
Baie Verte	3	㉕	3	㉔	2	7	5	3	⑨	⑨	12
Norris Arm	(64)	⑧	⑲	0	0	3	0	0	0	3	3
Cupids	⑦	⑭	⑪	0	⑦	0	0	0	4	⑦	46
Elliston	㉕	㊺	⑳	0	0	3	0	3	3	0	0
Southwest Coast	㉛	9	㉓	0	3	2	⑲	3	2	2	5
Eastport Area	㊵	⑭	⑱	0	5	5	6	5	2	5	2
Dark Cove-Gambo	㊱	㉘	1	0	1	4	4	6	⑧	2	10
St. Barbe South	㊾	⑰	⑰	0	0	2	6	3	0	2	5
Pasadena-Humber	(55)	⑨	4	0	1	3	1	⑨	1	3	10
Southern Shore	5	㊷	⑳	0	⑪	9	3	5	5	0	2
Placentia Bay West	⑰	8	⑳	0	⑰	5	13	1	1	3	15
Bonavista Peninsula	㉑	14	㊲	0	⑮	3	1	3	1	0	6

Percentages total 100% across columns. "Don't know" and "No answer" excluded. "Med., Educ." category includes major facilities not included elsewhere, such as "wharf".

The Commission was interested in knowing what possibilities Newfoundland citizens see for dealing with important local problems, particularly through local and municipal efforts. Our attitude survey therefore included several questions dealing with possible solutions to the "biggest local problem" named by each respondent. These questions, along with overall response patterns, are incorporated in Table 4-19. When asked if they thought any group or person was trying to do something to solve the problem they had mentioned, a disturbingly large 44 per cent replied that they could think of no one. This proportion rose to 59% among those in unincorporated areas, and was at its lowest level — (24%) — in the two towns over 5,000 in population, namely Gander and Stephenville. Of the remaining respondents who identified someone who was working to solve the problem, nearly two-thirds of those in incorporated areas referred to the municipal council, or the mayor, specific councillors or municipal officials. Many others mentioned other *local* groups or individuals. Overall, only 5 per cent cited government outside the community, including elected MHA's and MP's, as contributors to the solution of the problem they had named. Hence it is concluded that most Newfoundlanders have come to view municipal government, along with other local leadership, as the principal means of attacking the community problems which concern them most.

This evidence of a widespread acceptance of the relevance of municipal government is reinforced when consideration is given to the specific types of problem to which our respondents referred. For example, of those who identified water and sewerage services as their leading concern, 56 per cent felt that the municipal government was doing something about the problem. Similarly, 54 per cent of those whose leading problem was housing agreed that the council was responding. But of those whose problem was economic conditions or poor roads, only 16 and 20 per cent, respectively, saw their council as solving the problem. In general, respondents who cited problem areas to which municipal government can appropriately respond (as grouped in the "municipal" column in Table 4-20) were far more likely in fact to identify the council as working to solve the problem than were those who mentioned other kinds of problems.

Table 4-19: Solutions to Major Community Problems

Q. 11* ***As far as you know, is anybody trying to do something about this?*** **(Biggest problem named by respondent)? (If "yes", specify group or position of individual.)**

Yes, municipal council or council members		**33%**
Yes, other local group		**4**
Yes, other local individuals		**8**
Yes, outside govt., M.P., MHA, etc.		**5**
Yes, other or not specified		**5**
No, nobody is doing anything		**44**
"No problem" and "Don't know" omitted	**(N = 941)**	**100%**

Q. 12* ***If a group of people like yourself wanted to, do you believe they could do anything about such a problem?***

Yes		**52%**
Depends		**7**
No		**41**
"No problem" and "Don't know" omitted	**(N = 914)**	**100%**

Q. 13 *Now I am going to read a number of ways in which people deal with community problems such as the one you mentioned (see Q. 10). For each one, please tell me if you think it is likely to be effective or not effective.*

	Effective	Maybe, Depends	Not Effective	(N)
. . . Relying on the municipal council to solve the problem. (Incorp. areas only)	39%	22%	39%	(1102)
. . . Forming a town council to solve the problem (unincorporated areas only)	62	12	26	(171)
. . . Forming a citizens' group such as a community development association.	60	23	17	(1173)
. . . Sending a committee of local people to see government officials in St. John's.	50	27	23	(1215)
. . . Contacting your Federal M.P. for help.	50	27	23	(1215)
. . . contacting your M.H.A. for help.	47	25	28	(1217)
. . . Picketing or demonstrating to draw attention to the problem.	19	15	67	(1210)

"Don't know" omitted. Respondents who cited no problem to Q. 10 were asked to refer to a problem "such as water or roads"

*More detailed response categories for Q. 11 and Q. 12 are reported in the Codebook. See Appendix F, below.

Table 4-20: Solution to Problems by Type of Problem

Q. 11 *Anybody doing anything about problem?*	**Type of major community problem referred to (Q. 10)** **Water, Sewer**	**Jobs, Econ.**	**Roads, Transp.**	**Housing**	**Total Munic.**	**Total Other***
Yes, Council	56%	16%	20%	54%	46%	19%
Yes, other	15	15	36	28	20	26
No	29	69	44	18	39	48
Total	100%	100%	100%	100%	100%	100%
N	(283)	(216)	(143)	(60)	(498)	(443)

*"Municipal" problems include the following categories from Q. 10:

— Water and/or sewerage
— Other municipal services
— Housing
— Recreation facilities, social life
— Environment (cleanliness)
— Municipal government

"other" includes all other responses excluding "No problem" and "don't know".

When respondents were asked to rate various means of dealing with community problems as "effective" or "not effective", however, a striking tendency emerged (See Q. 13 in Table 4-19). Respondents within municipalities regarded "relying on the council" as the *least* effective of all methods proposed, with the exception of "picketing or demonstrating". Residents of unincorporated places, on the other hand, were far more optimistic about the possibility of solving their problems by forming a council, rating it more effective than any other approach. *It seems possible to conclude, therefore, that although there is widespread concensus that municipal government is the body likely to be most effective in attacking many local problems, the experience of living within municipalities has left many Newfoundlanders with a decidedly pessimistic view of the actual effectiveness of councils to succeed in their tasks.*

7. Evaluation of Council Achievements and Problems

Previous sections of this chapter have shown widespread interest in local government and recognition of its importance, as well as some indication of willingness to participate in municipal affairs. However, we have just noted a relatively low rating of the effectiveness of councils in tackling important local problems. We now focus on questions which asked for a direct judgement by citizens of the overall success and desirability of councils in their communities.

(a) *Council Success and Benefits*

Every respondent in an incorporated area was asked the following question (Q. 37):

On the whole, since it was established (in this town), how successful would you say the Council (or L.I.D.) has been in improving conditions around here? Would you say it has been . . .

. . . very successful	**32%**	
. . . somewhat successful	**55**	
. . . not successful	**13**	
	100%	**(N-1,118)**

("Don't know", "no answer" excluded)

An overall majority applied a qualified "somewhat successful" rating to their local council, while the remaining respondents were most likely to call their council "very successful".

Table 4-21 shows variations in council ratings in different areas and types of community. On the whole, these differences were not great. We note a moderately greater tendency in community council areas and the smallest communities to evaluate councils positively. It must be remembered, however, that responses to this question may have been determined by a combination of the objective achievements of councils in the face of varying local problems with generally critical or supportive tendencies and expectations on the part of citizens. Expectations in smaller communities with newer councils may be lower, and citizens there less willing to criticize councillors who are family members and close neighbours.

To follow up this question, respondents were asked to name "some good things or benefits the council has provided for this community" (Q. 38). Overall, 19 per cent could not think of *any* contribution. Most frequently mentioned as benefits were water and sewerage, garbage disposal service or facilities and street lighting, each of which were mentioned by about one-third of all respondents as one of two benefits provided by the local council since its formation. (See Table 4-22) Least mentioned were contributions in the areas of general community leadership and representation of local needs to outside agencies, as well as improvement of the community environment through regulations, planning controls, cleanup programmes, etc.

Table 4-21: Council Success by Community Characteristics

	Council improving conditions (Q. 37)			
Municipal Type	Very Successful	Somewhat Successful	Not Successful	N
Town Council/Rural Dist.	30%	59%	11%	100
Local Improvement Dist.	29	52	19	
Community Council	39	47	15	
Population				
0-499	42%	46%	12%	211
500-2,499	28	57	15	473
2,500-4,999	34	52	14	291
5,000-larger	25	66	9	143
Sample Area				
Southern Shore	45%	52%	3%	22
Stephenville Crossing	45	49	6	58
Pasadena-Humber	44	55	2	37
Eastport Area	44	51	5	69
Bishop's Falls	42	52	6	47
Bay Roberts	36	49	15	73
Bonavista Peninsula	36	46	19	55
Marystown	35	55	11	77
Cupids	33	55	12	49
Placentia Bay West	33	36	31	64
St. Barbe South	32	52	16	64
Southwest Coast	32	46	22	43
Stephenville	29	65	6	72
Baie Verte	29	59	12	34
Dark Cove-Gambo	29	51	21	94
Norris Arm	27	65	8	45
Badger's Quay R.D.	24	66	10	81
Gander	22	67	12	70
Elliston	8	67	26	63

Percentages total 100% across columns. "Don't know", "No answer" excluded.

Table 4-22: Perceived Community Benefits from Council

Q. 38 *Can you think of some good things or benefits the Council/L.I.D. has provided for this community?*
(Up to two benefits recorded for each interview.)

	First benefit mentioned	Second benefit mentioned	Combined responses
Water and sewerage	22%	8%	30%
Garbage disposal	17	18	35
Street Lights	17	12	29
Roads to town; transp. facilities	6	5	11
Recreation, sports facilities	5	3	9
Fire protection; ambulance	3	3	6
Streets; sidewalks	3	2	5
Housing, schools, wharf, etc.	5	3	8
Cleaner town, sanitation	1	1	2
Other local regulations, controls	1	1	1
Community leadership, grants, etc.	1	0	1
No benefits; don't know; only one benefit mentioned.	19	44	63
Total (N= 1,177)	100%	100%	200%

(b) *Areas for Council Improvement*

When asked the complementary question, "How could the council do a better job of providing services and benefits . . .?", the largest number of respondents cited some aspect of improved personal leadership or performance by councillors. Not counting the large number (42% of the total) who simply "didn't know" how the council could improve its performance, one-third of the respondents suggested that councillors should pay more attention to citizens, avoid community quarrels, work harder, represent the town better, and so forth. (See Table 4-23)

Table 4-23: How the Council can Improve its Performance

Q. 39* *How could the Council/L.I.D. do a better job of providing services or benefits for the people here?*

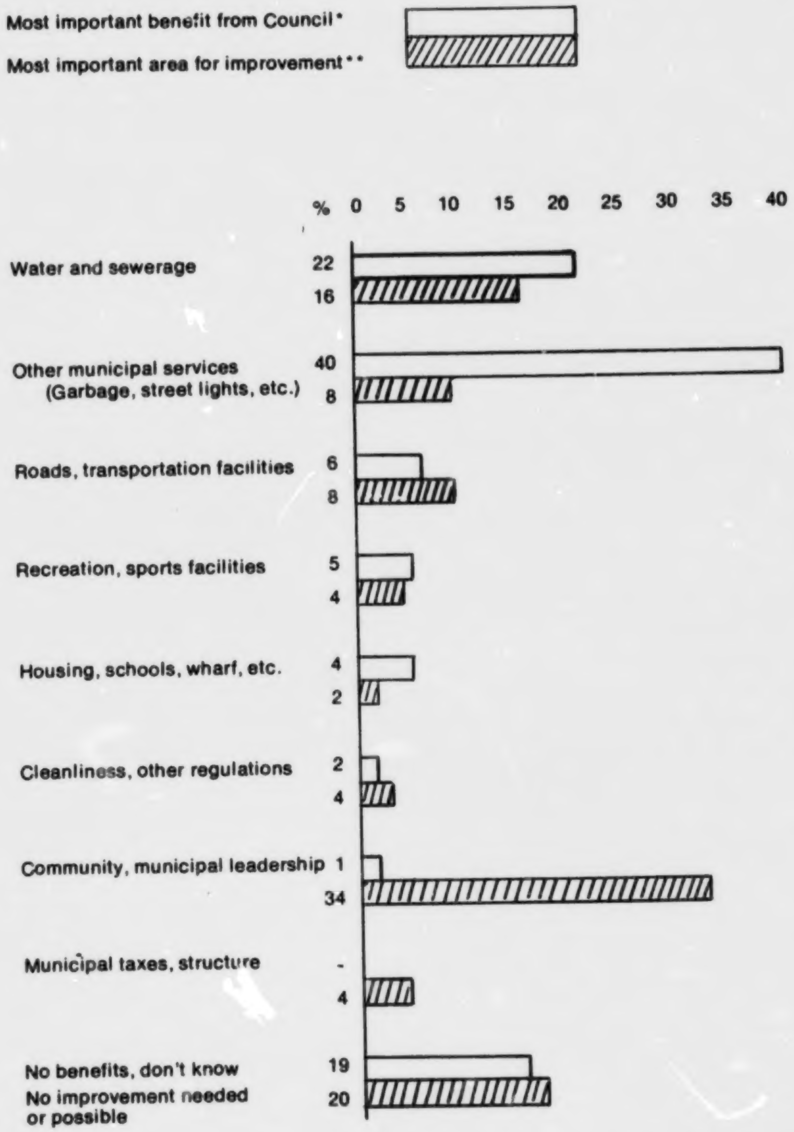
("Most important" way recorded if more than one.)

Provide better leadership (combined)		34%
Pay more attention to citizens; more discussion	(7%)	
Co-operate, unify town, treat all areas equally	(6)	
Manage council business better	(4)	
Work harder at job, for community	(4)	
Represent town better to govt. — get more grants	(4)	
Promote econ. development, create more jobs	(3)	
Completely new councillors needed	(4)	
"Better leadership" (not specific)	(1)	
Provide water and/or sewerage		16%
Improve roads to town; transportation facilities		8%
Other municipal works, services (combined)		8%
Streets, sidewalks, lights	(4)	
Garbage disposal	(2)	
"Service", "facilities" (Not specific)	(2)	
Clean up town; other regulations and controls		4%
Provide recreation, sports facilities		4%
Housing, land, other community facilities		2%
Enforce tax collection; change taxes		3%
Restructure council or local government system		1%
No improvement needed or possible (combined)		20%
Council doing fine now	(5)	
Council needs more support from government	(13)	
Council needs more support from community	(1)	
No improvement possible (implies dissatisfaction)	(1)	
	Total	100%

*N = 667, excluding "don't know" and "council too new to judge" responses, totalling 42% of valid responses.

16 per cent said the most important improvement would be for council to provide or upgrade water and sewerage systems. One-fifth of those with an opinion on this matter stated outright that no improvement was possible by council alone; many of these felt improvement depended largely on more assistance to council from an outside government.

Figure 4-2: Council Benefits and Areas for Improvement Compared



*Q. 38 First benefit mentioned. N = 1,177
**Q. 39 "Don't know" excluded. N = 667

Figure 4-2 provides a comparison of response patterns to the above two questions. Here we note a marked tendency to see municipal achievements in the areas of water and sewerage and other tangible municipal services in contrast with frequent reference to general leadership and performance by councillors as the leading council deficiency.

Two other questions provide a further indication of popular opinion regarding council deficiencies. Citizens were asked to suggest what they thought "... the main reason is that some people don't pay service fees and other local taxes" (Q. 44). Only 2 per cent suggested that the taxes themselves were too high or inequitable, although another 24 per cent said that some people did not pay because they could not afford the taxes. Another 21 per cent attributed the problem to citizens' lack of awareness, opposition to formation of a council, or outright dishonesty. But an overall majority believed that the council itself was to blame in some way: 39 per cent because it was ineffective or didn't do anything for the money, 8 per cent because council was lax in its collection policies, and 5 per cent because council treated some areas or citizens unfairly. Another question asked if people locally took an active interest in council affairs; those who replied "no" were asked further to explain "Why is it that people don't take more interest?" (Q. 45). A majority (60%) felt that people generally *did* take an interest. 10 per cent of the total stated that citizens did not take an interest because they were discouraged by their *council* in one way or another — it did little for the community, was not an elective body, or discouraged participation. A somewhat larger 13 per cent perceived low interest due to *citizens'* laziness, lack of community spirit, ignorance, etc. (Most of the remaining 17 per cent who saw low interest in their community could give no specific reason).

(c) *Rating Councillor Performance*

All interviews in municipal areas included a question which focused on the quality of councillor performance according to six specific criteria, such as "working hard and steadily at their job" and "treating all areas and people fairly". (These six criteria were chosen from qualities suggested as being important by a cross-section of citizens in the pre-test stage of the attitude survey). The province-wide rating of councillors in response to this question is presented below in Table 4-24. Here we observe that, overall, one-half to two-thirds of our respondents state that "most" councillors or board members in their municipality have lived up to the various standards put forward in our questionnaire, while 15 to 28 per cent responded that "most have not", depending on the particular standard referred to. Many quite reasonably judged that "some have and some have not".

Table 4-24: Evaluation of Councillors on Six Criteria

Q. 43 ***I'm going to mention several things people might expect good Councillors (Board Members) to do. From what you know, would you say that members of the Council (Board) here in this town have generally done these things in recent years or not?***

Have Councillors here generally . . .	Most have	Some have	Most have not	N*
. . . presented the needs of this town effectively to outside authorities to get grants, loans and other help?	69%	16%	15%	865
. . . taken a lead in getting something done about community problems?	60	26	15	1052
. . . treated all areas and people fairly?	58	17	25	1045
. . . worked hard and steadily at their job?	58	27	15	1041
. . . shown an interest in the views and wishes of average citizens?	55	24	21	1031
. . . put the community interest ahead of their own personal interests?	44	28	28	935

*Incorporated areas only. Percentages exclude "don't know" responses.

It is impossible for us to pronounce satisfaction or dissatisfaction with this overall reaction to the work of councillors across the Province, since we have no standard for comparison. However, the Commission does note that among the criteria suggested, citizens were most willing to praise their councillors for their efforts at "presenting the needs of this town effectively to outside authorities . . ." The lowest rating was registered for "putting the community interest ahead of their own personal interests". This pattern of opinions, along with responses to related questions, do not support the view that, in general, Newfoundlanders judge their municipal councils largely as emissaries to governments outside the community. Our survey indicates that citizens are generally more conscious and critical of their Councillors' conduct of intra-community affairs than they are of their relations with outside agencies.

We have summarized each respondent's six-part assessment of his Councillors in the form of a single score on a "Councillor Rating Index" in Table 4-25. This permits average levels of satisfaction among different components of the sample to be compared. Again, we notice that respondents within community council areas and towns smaller than 500 rate their councillors most positively (scoring lowest on the index). Other areas display little variation in this regard. Among individual respondents (not shown in the table), younger and more highly educated individuals tended to be moderately more critical of Councillors, as did recent community arrivals and those who judged themselves "not part of the community at all."

Table 4-25: Councillor Rating Index by Community Characteristics

	Councillor Rating Index* Average Score (low score positive)
Total Sample (N=682)**	1.61
Municipal Type	
Town Council/Rural District	1.68
Local Improvement District	1.65
Community Council	1.49

Table 4-25: Councillor Rating Index by Community Characteristics

	Councillor Rating Index* Average Score (low score positive)
Population	
0-499	1.45
500-2,499	1.64
2,500-4,999	1.71
5,000-larger	1.65
Sample Area	
Southern Shore	1.27
Pasadena-Humber	1.34
Bonavista Peninsula	1.48
Eastport Area	1.50
Norris Arm	1.51
Stephenville Crossing	1.53
Placentia Bay West	1.54
Cupids	1.58
Bishop's Falls	1.58
Gander	1.60
St. Barbe South	1.61
Southwest Coast	1.67
Dark Cove-Gambo-Middle Brook	1.72
Marystown	1.73
Stephenville	1.73
Baie Verte	1.73
Elliston	1.78
Badger's Quay Rural District	1.84

*The Councillor Rating Index combines responses to the six parts of Q. 43 into one score ranging from 1 ("most have" done each thing mentioned) to 3 ("most have not" done each thing.) In other words, a score close to 1 for a respondent indicates an overall positive rating of his councillors, and a score close to 3 an overall negative rating. A score close to the midpoint of 2 would indicate a mixed assessment.

**A "don't know" response to one or more of the six parts excludes the respondent from the entire index.

8. Desirability of Councils in Unincorporated Communities

All of the above assessments of council performance were made by individuals living within municipal areas. An additional 192 interviews (weighted) were conducted in communities representative of the numerous unincorporated places, (averaging 196 in population in our sample) remaining throughout the Province. These respondents were asked:

Do you personally think that it would be a good idea for this town to have some sort of local government, such as an elected town council, or is it a bad idea? (Q. 35)

Good idea	77%
Depends	3
Bad idea	20
	100%

(N = 177) "Don't know", "no answer" excluded.

Nearly eight in ten of these individuals believe it would be a "good idea" to form a municipality in their community. Most gave as their reason the belief that through a council they could obtain services and facilities enjoyed by other communities. A few referred specifically to the value of a council in obtaining recognition and material help from the government, and a few others to the need for local regulations and community management. Among the minority opposed to the formation of a council, most stated either that their town was too small for a council (average community population for this group was 145, compared with 215 for those favouring a council), or that it would bring undesirable taxes.

Later in the interview, respondents in *all areas* were asked:

. . . Do you think it would be best if every place in Newfoundland was included in some kind of local government, or is it better to leave some places without? (Q. 51)

Every place included	78%
Depends	6
Some places without	16
	100%

(N = 1,161) "Don't know", "no answer" excluded.

Whatever reservations some citizens may have over the feasibility of councils in smaller places, or the degree to which they have fulfilled expectations generally, an overall majority of nearly four to one came out in favour of universal municipal government in the province. Some representative reasons given for this belief were as follows:

Councils make people more interested in their own community.
(Gander janitor)

Only organized places seem to get anything.
(Stephenville instructor)

If every place had a council it would cut out a lot of jealousy and everyone get the same services.
(Eastport carpenter)

Why give chalk to one and cheese to the other?
(Baie Verte housewife)

. . . to get some outside ideas.
(St. Brendan's interviewee)

Give everyone an equal chance.
(Daniel's Harbour truck driver)

. . . keeps the place clean.
(Cow Head carpenter)

Because every person has to share in the cost of providing services.
(Gander librarian)

People in small places are the same as those in big ones.
(Sandringham respondent)

The majority of those who expressed reservations about universal municipal government ("depends"), and even some without reservations, cited the small size of municipalities in Newfoundland as their concern. Only a few argued that "it just isn't needed", local leadership and interest are lacking, or taxes would be too onerous.

The Commission can only conclude, questions of practical and financial feasibility aside, that popular opinion in Newfoundland has come overwhelmingly to view municipal government of some form as a necessary concomitant of community well-being and progress.

9. Desirability of Regional Councils

The Commission was specifically charged, among its other tasks, with investigating "the possibility of establishing regional or other forms of local government". Recognizing that public attitudes toward the basic structural changes suggested by the idea of "regional government" in Newfoundland would be an important factor in its recommendations on this matter, the Commission included relevant questions in its attitude survey. However, since these attitudes form but one of many factors involved in this complex question, we have included our report of this aspect of the survey as a part of Chapter 13 below.

10. Summary

As one of its major research tasks, the Commission carried out a province-wide survey of citizen attitudes toward local government. More than 1,300 individuals in 77 communities, constituting a statistically representative sample of the entire Province excluding St. John's, Corner Brook and Labrador, were interviewed in mid-1973. Their opinions, while not those of "experts", are regarded by the Commission as an important factor in assessing the current status of municipal government and in proposing future development. The summary of these opinions presented in this chapter and in Appendix F is necessarily a broad statistical overview, and tends to obscure important individual and community variations and idiosyncracies in favour of majority or dominant trends. In other aspects of its inquiry, however, the Commission made every effort to seek out expert opinion and register the many special circumstances prevailing in localities throughout the Province. We therefore present the results of the broad citizen survey as a vital and unique complement to other sources of information.

The survey revealed strong ties to the local community on the part of the great majority of citizens. Most were born locally and more than 80 per cent prefer to live in their present community over any other place. A majority of respondents said they were most interested in "local and community" public affairs, as contrasted with provincial or national matters. Eighty-five per cent could identify their municipal mayor or chairman, as contrasted with 74 per cent knowing their provincial MHA and 68 per cent their federal MP. Municipal government was felt to have approximately the same effect on the daily lives of individuals as each of the two higher levels of government. In general, the overall tendency toward a strong local or community orientation in such matters was greater among respondents from smaller communities, and declined in larger towns, but these contrasts were not great.

Despite the high expressed "interest" in local public affairs, levels of civic activity (aside from election time) reported by those interviewed were low. Fully half had never attended a community meeting, contacted a local or outside official about a problem, or joined a civic group, and only one-fifth had done more than one of these things. However, 11 per cent said they would be interested in running for council in the near future, and another 12 per cent agreed they would do so if asked. *Thus, the survey revealed a low level of existing active involvement in community affairs, but some potential for expansion in the future.*

When asked to name the leading problem in their town, 26 per cent cited water and/or sewerage, 23 per cent the need for jobs and economic development and 14 per cent roads. A wide range of other concerns were mentioned less frequently, and problems stressed varied considerably in different areas. Nearly half felt that "no one" was doing anything about the particular problem in question, but one-third said the municipal council or council personnel were acting on the problem (46 per cent in the case of those who mentioned municipal responsibilities as the "biggest problem"). Only five per cent mentioned that there were no local agencies or individuals working to solve the problem.

Although the survey revealed widespread belief in the relevance of municipal government to significant community concerns, the actual effectiveness of local councils in dealing with these problems was viewed more sceptically, especially by those within municipalities in contrast with citizens in unorganized places. Only 39 per cent viewed their council as "effective," compared, for example, with 50 per cent for sending a local committee to St. John's or 60 per cent for forming a citizens' group. When asked to assess the achievements of their council since it was formed, 32 per cent rated it "very successful", 55 per cent "somewhat successful," and 13 per cent "not successful". The "very successful" figure ranged from 8 to 45 per cent in different localities surveyed. Leading the list of benefits from the council to which citizens referred were water and sewerage, garbage service and street lighting. Among the ways in which councils could improve were listed such aspects of personal performance as paying more attention to citizens and treating all areas fairly. Providing specific services, such as water and sewerage, was another frequently mentioned area for improvement. In assessing the personal performance of councillors, smaller communities were generally less critical than larger ones.

Although respondents as a whole indicated that councils remain far short of the ideal in their achievements, there was overwhelming support for extension of municipal government throughout the Province as the best means for bringing all areas up to widely accepted standards. Among respondents living in unincorporated settlements (averaging about 200 in population), 77 per cent favoured organizing a council in their community, with 20 per cent opposed. Small size was more frequently mentioned by those in opposition than the traditional tax argument. Among the entire sample, 78 per cent registered support for the idea of "including every place in Newfoundland in some kind of local government". As we note in Chapter 13, however, this majority did not extend to supporting regional government as the structure most suited for achieving this goal; indeed, only one-third of the sample favoured the latter proposal.

Chapter 5

The Environment of Municipal Services

1. Introduction

Public services of all kinds originate and develop as a collective response to human needs. Municipal public services are a response to the basic requirements of individuals, families and groups that arise naturally when even small numbers assemble in communities. As communities grow in size and density, the health, safety, convenience and aesthetic needs of people become more comprehensive and more urgent. When municipal governments supply given levels of service in response to need, the quality of that service becomes an important consideration. Both the level of service provided and the standard that it achieves bear directly on the final cost of its delivery.

At the outset, the Commission distinguishes five broad categories of municipal services. For the sake of convenience we designate these local service sectors as (1) primary, (2) protective, (3) recreational, (4) managerial and (5) residual. The primary sector includes those services that reflect basic needs for shelter, water, sewerage disposal, access, light and mobility. This sector embodies municipal activity in such fields as water resource management, distribution and disposal; sewerage collection, treatment and disposal; land administration, assembly and development; streets, roads, lights, walks and public transportation generally. The protective sector includes all services that seek to provide some degree of security against a broad range of hazards, such as snow and waste accumulation, fire, public disorder and vandalism. The recreational sector extends to those services and amenities for indoor and outdoor activity, such as playgrounds, sports fields, rinks, parks, swimming pools, arenas and gymnasia. This sector also includes cultural facilities such as local museums, arts and culture centres, public libraries and the varied services that reflect individual and collective needs for leisure, literacy, information, aesthetic experience and self-realization. The managerial sector includes all those institutions, procedures and services concerned with community resource allocation, collective decision-taking and implementation. Various technical and administrative services are located in this sector; they include the required planning, organizing, directing and controlling or monitoring functions. The residual sector includes such important services as public housing and many less important activities associated with collective life in municipalities.

In this chapter the Commission examines each of these five municipal service sectors. In each sector, attention is directed to basic considerations affecting the standard of service, level of service, service cost implications, the present geographic service distribution patterns and the many service development requirements. We also provide brief summaries of the large volume of evidence accumulated during the course of the inquiry relating to various service problems and the suggested methods of dealing with them.

Attention is concentrated, however, on the more basic and intractable issues rather than on peripheral detail or on matters of purely local significance. At the end of each section of the Chapter, the Commission's conclusions and its recommendations are detailed.

2. Primary Services

Municipal services in the primary sector are concerned mainly with land and its administration, water distribution and drainage, sewerage collection and disposal systems, dwellings and other buildings or installations, roads, streets, lights and other local transport systems.

(a) *Land: Use and Administration*

Municipal activity relating to land use, assembly and development must take into account not only the needs and preferences of individual owners or occupiers, but the many collective requirements that reflect broadly accepted health, equity, safety, convenience and aesthetic standards. Any particular land use, for example, ought not to prevent use or enjoyment on adjacent properties. Nor is it always true that the best use of land is that which provides a maximum financial return to its owner or occupier. The Commission can cite any number of examples in which individual preference in this area has had to yield to collective need. We mention, for instance, the recent decision by the Provincial government to prohibit the use of agricultural land in parts of the St. John's urban region for residential, commercial or industrial uses. In a Province with extremely limited soil resources for most agricultural purposes, such decisions are clearly in the public interest. The difficult problems arising in their implementation must be squarely faced and resolved as equitably as possible, for the circumstances giving rise to the decisions cannot be made to disappear.

The Commission is aware that land development in any community is powerfully influenced by its supply, suitability, location, development cost, and by the various economic and demographic factors affecting its demand. It is our conviction, however, that acceptable service standards in respect of land use and development cannot be achieved in Newfoundland, or in any other jurisdiction for that matter, unless there exists an adequate planning framework and suitable control instruments. Community planning is essentially an attempt to identify present and future needs, in order that subsequent demands for development can be interpreted in accordance with the changing criteria deemed acceptable to local residents and suitable collective decisions reached. In many jurisdictions, perhaps in most, the purposes and practical requirements of community planning are generally ill-appreciated and the process of planning is everywhere attended with conflict and stress. Because of its inherent technical and predictive qualities, moreover, planning is also costly. The Commission has reached the conclusion that, with rare exceptions, planning in Newfoundland's municipalities and its unincorporated areas is extremely precarious. This matter is examined more fully in Section D, below.

Land development, in its technical aspects, has a strong impact on storm drainage patterns. It has been established that urbanization tends to increase runoff rates from five to ten times. This accelerated drainage alters natural water flow patterns, creates pollution in stream channels, and has serious implications for road construction and maintenance. Land development schemes that attain high standards in this respect provide adequate protection against flooding, minimize pollution hazards and do not interfere unduly with natural water-courses. In a recent survey of Newfoundland's municipal service requirements, information on 144 units was collected with reference to surface water drainage problems. Twenty-seven per cent of the municipalities in the sample reported no drainage difficulties. A somewhat larger proportion (30%) reported a slight problem, while an equal proportion reported a moderate difficulty. Only 13 per cent claimed to have serious drainage problems. The cost implications associated with achieving adequate standards in this area do not appear to be prohibitive. In many small municipalities, however, there is a difficulty in gaining access to adequate technical assistance when dealing with these matters.

In relation to land, however, the main concern is not so much with technical questions of the kind described above, but rather with access to and control of crown land, on the one hand, and also with the problem of vacant private land in municipalities on the other. In many Newfoundland communities a critical housing shortage is apparent. Indeed, in some places, notably but not exclusively in the Labrador municipalities, the matter of housing requirements is in a permanent state of crisis. Consequently, many municipal councils have embarked upon or wish to undertake land assembly projects, in conjunction with D.R.E.E., Central Mortgage and Housing Corporation and the Newfoundland and Labrador Housing Corporation, in order to make available serviced building lots for their inhabitants. In most cases, the land to be assembled is crown land.

The conditions prevailing in Newfoundland with respect to crown and public land administration are the subject of widespread concern to municipal authorities. The Commission received more than 20 separate representations dealing with this question. These proposals were about evenly divided between two groups: those wanting actual title of all Crown or public land within local boundaries to vest in their councils — as is partly provided for in the *City of St. John's Act;* and those only wishing to regulate the use of crown land within their municipal limits. The purpose of these requests was to enable councils to proceed expeditiously with land development projects, to control land use and to facilitate the realization of municipal plans. *The principal criticism of existing arrangements centred on the undue delays experienced by councils and citizens alike in obtaining authorization from the provincial Crown Lands and Surveys Division to proceed with their municipal activities or with private projects.* The Commission's attention time and again was directed to instances in which great inconvenience was experienced as the result of such delay. Examples cited of the time required to obtain clearance from St. John's were 16 months in the case of one municipality and 22 months in the case of an individual.

Vacant private land, by way of contrast, presents quite a different set of municipal problems, some of them either uncommon or unheard of outside of Newfoundland. Complaints received from non-city municipalities in this respect tend to focus on the following matters: (1) the difficulties encountered in dealing with absentee land owners; (2) the capital gains accruing to owners of *untaxed* vacant land when municipal water and sewerage services at substantial public expense (much of it contributed by all provincial taxpayers) are extended past their properties; (3) uncertainty in municipalities using the real property tax concerning their assessment practice in respect of land, as distinct from the appraisal and valuation of the houses or other improvements on the land. The Commission received no firm proposals on how any of these vexing land administration questions should be treated, nor on how the framework and mechanics of land administration might possibly be improved. It was asked merely to take note of a resolution adopted by the Federation of Municipalities that requested greater municipal jurisdiction over and control of crown land. It was also asked to consider a proposition that land held by absentee owners should revert to the crown and subsequently be transferred for municipal use.

The Commission undertook a considerable investigation of these questions. Taxation as it relates to land, whether vacant or occupied for residential, industrial or agricultural uses, is examined fully in Chapter 7 below, and a number of specific recommendations are offered. A full description and appraisal of the intricacies of land title registration arrangements in this Province obviously cannot be provided in this report. Some attention, however, is given to the matter of crown and public land administration.

Central to this basic question are a number of complicated technical and legal issues, together with several broader considerations related to public policy and crown land administration. During its investigation the Commission interviewed, among others, the Director of Crown Lands and Surveys; it has examined as well the operative legislation and the prevailing administrative procedures. This whole matter has been the subject of growing concern to government, but it is clear that there should be no expectation of *fundamental* structural change in the near future. There is some hope, on the other hand, of incremental and procedural adjustments that could reduce the time required to process requests for grants and leases of crown land.

In its examination of this question the Commission has discovered the following conditions, most of which do not provide grounds for optimism respecting the prospects of achieving easy and rapid technical improvements:

(1) Newfoundland does not have — though it is progressively working toward — a province-wide land use policy which embodies goals and programmes that establish criteria enabling decisions to be taken effectively on land administration at the regional and local levels. This condition means that, in practice, many official decisions on applications for crown land have to be made without reference to known criteria.

(2) The essential mapping and other technical requirements for such a policy are far from complete, although D.R.E.E. assistance in recent years has enabled some progress to be achieved in this matter.

(3) In many instances officials do not know and cannot readily discover the locations, extent and limits of Crown lands.

(4) Municipal requests for crown land leases or grants are treated in the same manner as similar requests from individuals or groups for land to

be used for agriculture, residences, commercial and business enterprises, summer cottages, or fishing and hunting cabins in wilderness situations.

(5) The Crown Lands Division is understaffed. It has two inspectors for the entire Province. In 1973 the divisional staff processed approximately 3,000 applications; in 1969 it dealt with only 1,100 requests. During this period there was no growth in staff numbers. But the division is being restructured; its 1973-74 estimated expenditures amounted to $256,000 and they will increase to $436,500 in 1974-75.

(6) In order to ensure that no application is authorized in violation of existing regulations, requests for leases may have to be processed by as many as 8 departments and agencies.

(7) An estimated 50 per cent of the staff's time is consumed in dealing with inquiries regarding the "progress" of applications!

(8) Crown land administration is controlled by a statute which in its *fundamentals* and many details has not been altered since its enactment in the 1930's. (See *R.S.N.* Chapter 71, 1970, "An Act Respecting Crown Lands, Timber, and Water Power".) Consideration is being given, however, to the enactment of a new statute.

(9) An expert guess is that possibly as many as one-half of all the persons occupying land in Newfoundland do so without adequate title. Consequently, an increase amount of time is given by the division to the "regularization" of titles to enable occupiers to sell or borrow on the land. This condition is caused mainly by the absence of a statutory rule requiring registration of land titles, thus forcing alleged owners and occupiers to seek clear title through recourse to the division.

(10) Older surveys are generally sub-standard in quality but have to be used because there are insufficient resources to bring them up to date. Cases exist where entire communities were developed and their buildings constructed without reference to lot survey lines. Other cases exist where, upon recommending a crown land grant, officials do not know what really exists on the land.

(11) Some people seem to believe that acquisition of a crown land grant or lease for a stipulated purpose carries with it the right to pursue that purpose in contravention of legally binding municipal planning regulations.

(12) Some people build houses first and then make application for a grant of crown land. There is widespread lack of information (it is assumed) regarding legal requirements in this matter.

(13) Since municipalities are assigned responsibility for planning, zoning and land use control, the division depends upon local authorities for advice respecting particular applications. Municipalities do not always appear to know that they have adopted plans in legal effect. Municipalities *should* know that when the third letter from the division requesting information remains unanswered, it proceeds on the assumption that consent in respect of any particular application is granted to the applicant.

At the level of detail there are, to be sure, many more difficulties. But the general condition prevailing in the land sector as a whole is sufficiently illustrated in the foregoing summary to suggest a very broad scope for change and improvement. *The Commission believes, first, that as quickly as it possibly can the Province ought to develop a comprehensive land use policy articulated in such a manner, in relation to regional and local requirements, that known and accepted criteria can be made available for purposes of approving or disapproving grant/lease applications. Second, it is recommended that all of the 70 existing municipalities whose populations exceed 1,000, and that have formally adopted municipal plans, should, upon the fulfilment of certain specific conditions, be vested with the management and control of all crown land within their boundaries, in a manner consistent with the provisions of The City of St. John's Act as it relates to this matter.* Sections 80-83 of the latter statute could provide some of the guidelines for the recommended conditions which should apply, in addition to the mandatory basic planning requirement. These conditions should be set out explicitly in regulations; they should specify in detail how municipalities would proceed with respect to the following matters:

(a) the administration of crown lands within their borders;
(b) the collection and disposition of rents due by existing private tenants of crown land;
(c) the disposition of crown land currently used by the government or its agencies, and its future use for provincial public purposes;
(d) the terms and conditions under which the councils would grant or lease title to crown lands after the management and control function was vested in them; also the procedures respecting forfeiture;
(e) the regularization of title in all instances where one or a number of claimants appear in respect of any given parcel of crown land;
(f) the responsibility of the councils in relation to surveying, mapping, reporting and communicating with provincial agencies and the general public on all matters pertaining to crown land administration.

It is clear that these conditions imply the need for municipalities to have a well-developed administrative system and access to adequate technical resources in order to assume effective management and control of crown or public lands, particularly in cases where substantial tracts of such land are located within local boundaries. *It is the Commission's view that, in practice, very few of Newfoundland's towns are yet in a position to assume this added administrative responsibility. But it is also its view that the time has arrived for the Province to develop a legal and administrative framework that will permit a progressive assumption by municipalities of this technical function.*

Third, it is also recommended that as soon as it may be practical to do so, the processing of crown land applications from municipalities should be accorded a separate and highest priority by the Department of Forestry and Agriculture.

Fourth, it is also the Commission's view that substantial adjustments in crown land administration will be required if the regional planning proposal presented later in this Chapter is to be successfully implemented. Regional *plans will have a major impact on controlling land use patterns in many smaller incorporated units within the proposed regional boundaries and in the intra-regional local service districts which are proposed as well. The orderly assembly of crown lands for disposition and use in these respects will be of major importance. The present system clearly would not accommodate this regional requirement. Regional authorities, however, should in all respects be subject to the regulations proposed above.*

(b) *Water and Sewerage Services*

It is the Commission's view that prudent management of our vital water resource is essential. In all instances, therefore, municipal service activity in this area should be consistent with the specifications required by province-wide water resource policy. Ideally, domestic water for household and commercial use should be delivered by pipe to all buildings in medium and high density communities. Water should be available in adequate amounts for both essential and amenity uses; and it should be of good quality. It is recognized that special arrangements are needed in the case of industrial water systems. Adequate supplies of useable water, whether from surface or ground sources, are not made available by nature to all communities in the same amount. The distributions of population and of water supply do not invariably coincide, yet where there are people there is a need for water. *For this reason, the Commission places maximum emphasis on the need to create immediately a broad plan for water use and development in Newfoundland. Such a plan should have provincial, regional and local components.*

Standards and levels of municipal water services depend upon a host of natural and technical considerations. Very high standards have to be achieved, for instance, when it is proposed to include fire hydrants in any installation. Such a system must then conform to minimum specifications demanded by fire insurance underwriters; it must, for instance, achieve a pressure standard of 20 P.S.I. This requirement often controls such matters as the choice and development of sources, size of main pipes, pumping and storage needs, and so on. The view has been expressed by officials that it is not economical for our medium sized and smaller, low-density municipalities to strive for this very high service standard, since underwriters do accept a fire truck of adequate capacity as being equivalent to municipal water hydrants. After hearing a good deal of specialist and other evidence on this subject, the Commission has reached the conclusion that the abnormally high cost of designing, installing, operating and extending reliable domestic water systems in Newfoundland constitutes our single, most pressing municipal service problem. The numerous cost elements of water projects are sensitive to such variable factors as soil, climate, topography, population density, distance to available source, type of source, natural condition of the water, gravity or pressure feed, types and qualities of valves and materials, depth of trenching, bedding requirements and so on. As a general rule, gravity systems are more reliable, have lower subsequent operating costs but usually have higher initial installation costs. The reverse tends to be the case with respect to pressure systems. The possibility of a choice between alternative systems, however, is not always present.

The operation and maintenance of water systems gives rise to numerous difficulties. Above-ground storage tanks are in some areas subject to ice buildup in winter months, which suggests the need to design underground facilities. Line freeze-ups in the winter months are a common problem. Care must be exercised at the design and installation stages to ensure the use of appropriate materials, to achieve adequate burying depth, and to secure proper positioning of intakes to utilize the warmest layers of water at the source. The use of non-metallic pipe inhibits freezing to some extent, but if lines are improperly installed, or abnormally low temperatures are experienced, thawing may prove to be more expensive than with metal pipe.

There are many considerations respecting utility operations that are of vital importance. In isolated communities where technical expertise and replacement parts are not immediately available, emphasis should, where possible, be placed on the installation of simple, reliable, gravity-fed designs. Ideally, municipal operators should be present at actual installation to gain the necessary knowledge regarding line, valve and intake locations. The same requirement should apply with regard to pumps, lift and treatment systems. Operating manuals, "as-built" system plans, information on equipment and parts suppliers should all be immediately available. Project specifications should not include equipment for which service and replacements are not readily available. The Commission has encountered numerous situations where local authorities have embarked upon water projects with inadequate understanding of either their technical or financial implications. There have been numerous complaints regarding both the quality and cost of engineering design and supervisory services, not all of which are unfounded in fact. There have been some serious design failures and some costly installation and operating deficiencies. The Department of Municipal Affairs and Housing has had insufficient resources to develop an adequate central engineering service group capable of delivering to our municipalities the preparation, training, supervision and technical support required for water system installation and operation.

Many of the foregoing comments apply to sewerage systems as well. In this case, however, even greater emphasis must be placed on health and environmental impact implications. In many low density residential situations with good soil and drainage conditions, properly installed and maintained septic tank disposal systems may be sufficient. But the added space required in these instances increases water distribution and other service costs. In medium and high density residential situations, as with most industrial operations, piped disposal systems with or without treatment facilities are mandatory. The many engineering and costing problems associated with material specifications, gravity flow, trenching, pump installation and treatment will not be examined in detail. We merely observe that costs are minimized when designs are simple, when no elaborate treatment or lifting is necessary, and when, at least for a part of any system, water and sewer lines can be laid in the same trench. The ability to achieve economy in this last respect depends upon design, material and construction standards which minimize joint failures. These failures, if they are numerous, create an obvious health hazard; in addition, they may increase treatment volumes and costs due to the seepage of ground water into the disposal system. The degree of pumping and treatment required in any system will clearly influence its cost in a significant way. Sewerage treatment can range all the way from primary separation of liquids from solids through various secondary liquid treatment processes. The operational aspects and requirements for sewerage systems are similar to those for water systems, but it must be emphasized that treatment plants are very complex. They require high standards of maintenance and operation which may often prove to be beyond the technical and fiscal capacities of any but the larger municipalities in Newfoundland.

The results of a survey undertaken by the government's Community Services Standards Study Group was made available to the Commission. The survey included all of the 199 identifiable communities in Newfoundland with populations of 500 or more. Results of the survey show that some 65 per cent of the 88,242 houses located in these communities were served with piped water supply. The equivalent ratio for sewerage service was 61 per cent. Table 5-1 summarizes water and sewerage service distribution patterns in terms of community size:

Table 5-1: Number of Communities and Levels of Water and Sewerage Services by Community Size Group, Newfoundland, 1972

Size Group	No. of Communities	% Water	% Sewerage
7,500 +	7	92.6	92.6
5,000 - 7,499	4	93.9	89.9
2,500 - 4,999	16	67.9	67.5
1,000 - 2,499	56	47.5	40.2
500 - 999	116	13.8	5.0
TOTAL	199	64.7	61.2

As we should expect, the larger municipalities have generally attained a higher installation level of water services than the smaller units. In the eleven largest cities and towns, for instance, water service levels exceed 90 per cent. At the other extreme, it will be noted that barely 13 per cent of houses in 116 communities under 1,000 have piped water available. Generally speaking, the greatest deficiency in water and sewerage disposal services is found in communities whose size is below 2,500. It will be observed that in the two smallest size groups water service ratios are somewhat larger than sewerage service ratios. In communities with very low density, such a situation may pose minimal hazards. But the Commission has obtained evidence that some small municipalities with very high densities have in the past been authorized to proceed with installation of water systems without provision for sewerage disposal. This practice may indeed solve one problem; but in so doing it creates additional subsequent difficulties. *It is the Commission's view that there should always be an adequate integration of the design and financing aspects of water and sewerage projects. When a water system is installed, it should invariably be accompanied by adequate sewerage disposal arrangements.*

The survey referred to above also examined local service levels in relation to their geographic distribution throughout the Province. Its findings in this respect are summarized in Table 5-2.

Table 5-2: Number of Communities and Levels of Water and Sewerage Services by Census Divisions, Newfoundland, 1972

Census Division	No. Communities	% Water	% Sewerage
1. Avalon Peninsula	71	67.1	63.4
2. Burin Peninsula	11	65.4	60.8
3. South Coast	13	53.5	52.8
4. St. George's Bay	10	46.1	39.7
5. Humber Valley	14	78.3	77.1
6. Central Newfoundland	10	92.0	90.2
7. Trinity-Bonavista Bays	20	23.9	21.2
8. Notre Dame-Green Bays	29	43.8	39.6
9. Northern Peninsula	13	44.4	25.3
10. Labrador	8	86.6	86.6
TOTAL	199	64.7	61.2

The highest municipal water installation levels (78-92%) are clearly found in the 32 units in the Central, Labrador and Humber Valley regions. Somewhat lower levels (65-67%) are reported in the 82 communities in the Avalon and Burin Peninsula regions. Just over one-half the households (54%) in the 13 communities on the South Coast now have access to water and sewerage services. The regions of greatest service need are: 20 communities in Trinity-Bonavista Bays (24%); 42 communities in Notre Dame-Green Bays and on the Northern Peninsula (44%); and, lastly, 10 communities in St. George's Bay (46%). It will be noted that on the Northern Peninsula nearly half the houses with piped water systems do not have piped sewerage disposal facilities.

The survey reveals, finally, that the quality of water supplied by municipal utility systems is generally considered to be satisfactory. Among the 75 units in the sample with public installations, only five reported discoloration problems while two reported odour or taste deficiencies. A public health problem was noted in but a single municipal installation. Water supply problems, on the other hand, are more numerous: 17 of the 75 units reported deficiencies in this respect, including St. John's, Grand Falls, Burin and Port-aux-Basques. Among the 75 communities with municipal water systems, only 13 reported installation of sewerage *treatment* facilities.

Municipal water development activity in the Province has been stimulated not only by the provincial government's support policy in recent years but also because of various federal programmes. After its establishment in 1963 and until its incorporation by the federal Department of Regional Economic Expansion (D.R.E.E.) in 1969, the Atlantic Development Board (A.D.B.) engaged in water research activity and assisted in the development of certain industrial water systems. Some municipalities were able to secure a portion of their domestic water requirements as a by-product of these installations. Since the inauguration of the D.R.E.E. programme, however, there has been a sharp increase in federal participation with Newfoundland through "infrastructure" programmes that aim to improve municipal service levels. From the beginning of 1970 through December of 1972, some 24 municipal water and sewerage projects were actually undertaken in the eight D.R.E.E. Special Areas at an estimated cost of $13.3 million. Major additional projects, in the town of Happy Valley and in other communities, were begun in 1973 and 1974. As far as can be ascertained, there has been no full public accounting of the various D.R.E.E. projects in this sector, their respective amounts, their distribution throughout the Province, and the degree of federal assistance provided either through grants, loans, or some combination of the two. Accordingly, we list them in Table 5-3:

Table 5-3: D.R.E.E. Assisted Special-Area Water and Sewerage Projects, 1970-1973

Special Area	Estimated Cost	DREE Contribution/Loan	Scheduled Completion Date
1. St. John's Area			
Industrial Park (water)	$1,600,000	50:50	September 30, 1972
Industrial Park, Trunk Sewer (sewer)	160,000	50:50	December 31, 1971
Mount Pearl (water)	490,000	50:50	March 31, 1973
Mount Pearl (sewer)	118,000	100:0	December 31, 1973
Waterford River (Treatment Plant)	252,000	100:0	March 31, 1973
Waterford River (Sewer Outfall)	165,000	100:0	March 31, 1973
Holyrood (water & sewer)	2,100,000	50:50	March 31, 1973
Quidi Vidi (water)	10,000	50:50	October 31, 1971
Virginia Park (sewer)	83,000	100:0	November 30, 1972
TOTAL (9 projects)	4,978,000		
2. Burin Area			
St. Lawrence	$ 376,000	50:50	March 31, 1972
3. Come By Chance Area			
Arnold's Cove (water)	$ 552,000	50:50	March 31, 1972
4. Grand Falls Area			
Bishop's Falls (water)	$2,140,000	50:50	March 31, 1973
Gander (water & sewerage)	650,000	0:100	March 31, 1973
Grand Falls (water)	524,000	50:50	March 31, 1973
Lewisporte (water & sewerage)	130,000	50:50	March 31, 1973
TOTAL (4 projects)	$3,444,000		
5. Stephenville Area			
Stephenville (water)	$2,200,000	0:100	March 31, 1972
Stephenville (water)	265,000	50:50	October 31, 1972
Stephenville (sewer)	40,000	100:0	October 31, 1972
TOTAL (3 projects)	$2,505,000		
6. Corner Brook Area			
Corner Brook (sewer)	$ 70,000	50:50	March 31, 1972
Corner Brook (water-sewer)	192,000	50:50	September 30, 1971
Corner Brook (water-sewer)	90,000	50:50	September 30, 1971
Corner Brook (reservoir)	168,000	50:50	July 31, 1972
TOTAL (4 projects)	$ 520,000		

7. Hawkes Bay Area

Hawkes Bay (water)	$ 453,000	50:50	December 31, 1971
Hawkes Bay (sewer)	10,000	50:50	March 31, 1972
Port aux Choix	500,000	50:50	March 31, 1972
TOTAL (3 projects)	$ 963,000		

The Port aux Choix project was jointly municipal and industrial; all other projects were exclusively municipal in nature. With the exception of the Holyrood, St. Lawrence, Arnold's Cove, Hawkes Bay and Port aux Choix projects, all of these D.R.E.E. supported activities were confined to the larger cities and towns or their environs. The three smaller towns of Mount Pearl, Bishop's Falls and Lewisporte also were assisted.

Since the material in the table above was prepared, however, the following additional projects have been announced and are now in progress:

(1) Burin - Burin Inlet: water source; water and sewerage mains; land acquisition;	($1,998,000)
(2) Happy Valley: mains, storage tanks, booster pumps,	($ 800,000)
(3) Gander: access road, trunk lines and sewerage treatment plant;	($ 350,000)
(4) Fortune - Grand Bank: dam, new source, main lines;	($ 500,000)
(5) Corner Brook: Burnt Pond supply development;	($ 400,000)
(6) Port Saunders: water, sewerage and access road;	($ 432,000)
(7) Marystown: water, sewerage and roads (Creston development);	($ 600,000)

As a result of the old Atlantic Development Board projects and some of the newer D.R.E.E. programmes, the Province has now acquired responsibility for water supply systems providing services in more than 20 locations throughout Newfoundland. Fresh water systems serving industrial and municipal consumers are located in the following places: Bonavista, Burgeo, Englee, Fortune, Harbour Grace, Marystown, Newtown, Ramea, St. Anthony, Twillingate, Stephenville (non-city). Industrial systems exclusively are located as follows: Bay de Verde, Dildo, Fermeuse, Gaultois, Isle aux Morts, Old Perlican, Trepassey, Long Harbour (ERCO). Sea water systems to fish plants have been added at Bay de Verde, Fortune, Gaultois, Port de Grave and Ramea.

The Commission estimates that a capital amount (either by way of direct grant or by loan) of approximately $24 million has been contributed by the *federal* government toward water utility activities in Newfoundland since the commencement of A.D.B. programmes in 1963. Of that total amount, nearly $18 million has been released since 1969 under D.R.E.E. auspices. Total D.R.E.E. capital expenditures in the Province for schools, land assembly projects, industrial parks, highways, rural development, resource inventory and other projects have naturally constituted a much larger amount than that allocated exclusively to municipal and industrial utility development. Yet the Commission was told on one occasion during its public hearings that Newfoundland was not taking full advantage of the available federal funds for municipal utility purposes. The facts obviously do not sustain this claim. Examination of the locations in which D.R.E.E.

support has been provided, however, indicates their concentration in the larger urban centres. Consequently, many smaller municipalities located outside the D.R.E.E. "special areas" received no direct benefit from the programme. But there is little doubt that they received an indirect benefit: federal assistance in the special areas during recent years has released provincial capital funds for allocation in many municipalities located in other regions of Newfoundland. It should be understood as well that the original focus of D.R.E.E. funding in the special areas was precisely designed for the purpose of concentrating public capital investment in the larger centres with established industrial growth potentials and the higher residential density ratios requiring added service levels. The Commission notes, however, that this initial D.R.E.E. focus has now been relaxed. A final problem deserves brief notice: many municipal leaders claim that they were initially unaware of the difference between a D.R.E.E. "contribution" and a "loan". Naturally, they have since come to appreciate the difference and are not pleased with its fiscal implications. This difficulty should not have been allowed to develop.

Newfoundland's municipal service needs and their estimated costs have recently been the subject of a major official inquiry. The results of these studies have been made available to the Commission. As could be expected, the cost of installing water and sewerage service at adequate standards in all communities demanding and needing them will involve substantial capital outlays in the years ahead. Assuming an average soil condition with 50 per cent rock content, 8 foot trench depth and 8 inch diameter main piping, together with fire hydrants, it was estimated in 1972 that in high density areas (averaging 120 houses per mile) *construction* cost for adequate water *distribution* systems amounted to $891 per unit. Where the density ratio drops to an average of 30 houses per mile, construction costs rise to $2,816 per unit. The installation of sewerage *collection* systems in high density areas then averaged approximately $800 per house. These estimates do not include the various additional capital costs associated with water source development, pumping facilities, water treatment plants when required, sewerage disposal, lift stations and treatment processes. Such additional capital costs can often reach or exceed the equivalent of water distribution and sewerage collection costs per house. Some idea of the volume of public investment required to provide *adequate* water and sewerage services for communities within all high and medium density areas in the Province may may be had from the estimate shown in Table 5-4:

Table 5-4: Estimated Cost of Providing Adequate Municipal Water and Sewerage Services in High and Medium Density Areas of Newfoundland, 1973

Service Requirement	Million $
Water Supply (average standard)	41.6
Water Supply (high standard)	70.0
Water Distribution	57.5
Sewerage Disposal (average standard)	19.2
Sewerage Disposal (high standard)	28.0
Sewerage Collection	23.4
Total (Average Standard)	$141.7
Total (High Standard)	$178.9

The Commission emphasizes that these estimates were based on then current (1972-73) costs, that they were restricted to present requirements only, and that they included merely the capital as distinct from the operating costs associated with water and sewerage facilities. And due to massive price increases since the estimates were made, the aggregate amounts required could now be almost twice those specified. The financial implications arising from these and other municipal service requirements are examined fully in Part III, (Chapters 6-9) of this Report.

The scope of local demand for adequate water and sewerage services is province-wide. The intensity of demand for these essential services is already high and is obviously growing. This intensity is due as much to environmental change as to rising levels of expectation. The resettlement programme, for example, has generated urgent service demands in a number of communities. In smaller centres the advent of indoor plumbing, combined with septic tank or private outfall disposal has increased pollution hazards. This condition became increasingly apparent as the smaller "linear" settlements began to experience development in depth. There has also been much recent "ribbon" growth on roads immediately beyond the boundaries of larger centres. This process is most apparent in, but is by no means confined to, the St. John's urban region. Dramatic presentation of the resulting problems is found in the *St. John's Urban Region Study*. In the volume outlining a proposed Municipal Services Plan for the region (p. 44) the following situation is described:

> "The existing water supplies in practically all areas of the region outside St. John's and Mount Pearl are based on surface wells, and the general condition of these are most unsatisfactory. For example, in the area of Conception Bay from Topsail to Seal Cove some 12,800 people live under conditions of relatively dense development. In November, 1967, . . . the Department of Health carried out a survey of water and sewerage systems in the area with the following results:

Water Supply Samples		
	Satisfactory	149 (47%)
	Unsatisfactory	151 (48%)
	Inconclusive	17 (5%)

> *Sewage Disposal*
>
> "90% of outdoor privies are improperly constructed"
>
> "70% of septic tank systems are improperly constructed"
>
> Another similar survey only three years later, in January, 1970, resulted in the following:

Water Supply Samples		
	Satisfactory	159 (32%)
	Unsatisfactory	287 (58%)
	Inconclusive	46 (9%)

> Some 20% of these samples were also examined for faecal coliform with the following results:

Positive	20 (19%)
Negative	85 (81%)

> These results indicate a persistent, widespread pollution of water supplies in the area which is very serious, at least one-fifth of which is of proven human origin . . . .

> The general method of sewage disposal outside the urban areas is by septic tank, but in many cases the systems installed do not merit the title; in most cases there is no drainfield to speak of. A survey of new homes under construction outside subdivision developments made . . . in 1969 indicated that only 22 out of a total of 45 were being constructed on sites suitable for septic tank installations. Of the 77 units being developed at the same time in another ten small subdivisions, 33 sites were considered unfit for the construction of septic tanks even prior to the construction of the houses. In short, the situation is rapidly becoming worse in this area. In many small communities across the Island, and particularly in the northern and southern coastal sub-regions of Labrador, seasonal epidemics of hepatitis and the occurence of other diseases have undoubtedly been associated with defective water supplies."

Development and highway access control regulations in unincorporated areas of the Province have sometimes forced small developments off the major throughfares into areas where water and sanitation deficiencies are pronounced. And it goes without saying that within the larger urban centres there exists a growing disposition to expect primary local services that have been commonplace in most North American urban jurisdictions for half a century or more. There are on record cases, too, where low density communities with quite adequate well water supplies have nevertheless *demanded and obtained* piped water systems. Such a phenomenon is not surprising when one considers the general manner in which the Province has provided capital support for local water utility projects. (This matter is the subject of detailed investigation in Chapter 8, below.) But the dilemma facing many small communities is well illustrated by the following submission from a community of 500 people:

> "Water and Sewerage requirements are the most important and demanding items facing many municipalities today. Adequate sewerage facilities appear to have the priority. Construction of sewerage facilities in certain localities can be very costly with so much material and engineering supervision involved. Smaller municipalities cannot even attempt such an undertaking unless outside financial assistance is forthcoming.
>
> Also in some areas supplying water to a community can be very costly where long distances must be covered in the laying of pipe lines, etc. to a pond or reservoir. In fact both projects can be very costly in some municipal areas where the homes are without uniformity and scattered . . . An example of this condition is presently evident in our own community in so far as sewerage requirements are concerned. Our community of 110 families is almost entirely situated on the edge and slope of the west side of . . . . river in a thickly populated position. This is a fully licensed river which is considered to be one of the best sea-trout rivers in the Province and the best salmon river on the . . . . Peninsula. All homes contain running water, sinks and wash basins and about seventy-five per cent contain toilets. All have disposal fields or trenches, but a plastic pipe to take the effluent from the tank to a ditch and in some cases to the edge of the river which eventually flows out into the main stream. The same applies to the effluent which flows from a sink or wash basin.

> An engineering survey conducted two years ago revealed that (a suitable) sewerage (disposal facility) would cost over Two Hundred Thousand Dollars. For a small municipality to find this kind of financing would be impossible, but with a substantial subsidy coupled with a long term loan such a project could be realised.
>
> Therefore, our special problem is sewerage facilities which is becoming more serious with us as time progresses. We do not have a very good supply of water which had its beginning in 1947 when a six inch cast-iron pipe was installed from a reservoir on the outer edge of the community."

There is little doubt that the main preoccupation of Newfoundland's local citizens and their leaders, together with those provincial officials who have a responsibility for municipal and related matters, is strongly centred on the matter of how to secure, finance and maintain in operation adequate services in this particular utility sector. This topic was raised more often at the public hearings than any other local services function. In many communities there has been no experience whatever in dealing with the engineering and management aspects of water and sewerage systems. Installation problems, design deficiencies, operating difficulties and management errors are not uncommon. Local public response in these, as in most other matters, has been mixed. In some places leaders have received consistently strong support in their attempts to adjust to the changed circumstances of municipal life. In others, the required co-operation has been withheld. Among a substantial accumulation of evidence dealing with these matters, the Commission cites the following extract from a submission from one town:

> "Several years ago we approached Government requesting that a fresh water system provided by D.R.E.E. for the fish plant be constructed sufficiently large to provide water for the Town. In order to ensure that the Town could meet its obligations in paying interest and principal on the loan, necessary to provide this system, we had to get 80% of our householders to agree to use water and to pay $4.00 per month water rates.
>
> The water system was completed in November 1972 and service was provided to every house in the Town. On January 1973 with the approval of the Minister we enacted regulations which gave us authority to carry a water tax of $4.00 per month on unconnected properties. Some 50 householders who have wells which provide what they believe is good water, and were not connected to the system, refused to pay the levy and were brought before court last month. They go on trial in September. Should this case be won by the defendents, many of our people who are presently connected to town water, and did so because they knew they would have to pay, say now that they will refuse to pay the water rate; the Town will turn off the water supply and they will revert to using their wells. Should this happen, half of the anticipated revenue will be lost to the Town, and we shall have to seek government aid to make our interest payments.
>
> All of our citizens have derived benefits from the water system. We have a new fire hall, a fire truck and a good volunteer fire brigade. Insurance rates have dropped considerably and it is council's feeling that just the few people who desperately needed water shall have to pay for a system which is available to all."

The Commission does not suggest that the situation described above is by any means typical, but it nevertheless illustrates a feature of traditional life in local communities that complicates the transition to the new, more technical municipal service environment. Some aspects of the realities prevailing in that environment, in the context of very small communities, is illustrated in the following excerpts from the Commission's proceedings:

(1) Mr. - - - - - - made an oral submission to the Commission regarding the water system in .... Installed after the Community's incorporation with the help of a government grant, the system serves 125 households. The original pipes, installed by the community itself, were plastic. Last winter the pipes were frozen: some 3,000 feet became useless. The community applied for a grant, but was turned down. Neighbouring ... and ..., on the other hand, got grants: Mr- - - -wanted to know why they did and he didn't. ....had to use its own funds to buy new pipes. The community bought a different type of pipe and was able to bury some of it. No standards were used. However, the pipes have again frozen this year, and some 50 per cent of the households connected to the system are without water.

The community has requested that a proper engineering study be carried out to estimate the cost of a proper system but has received no reply from the Government.

(2) ...got a $2,000 grant to put in a well for four families; the well eventually had to be 142′ deep and the digging fee was $1,960. The pump could not be bought; families have to buy their own plastic hose and dig a trench to be hooked up. Because of the delays in getting funds for the pump all winter, the families are still without water.

They have verbal authority for another well, but won't start it until actual funds arrive.

...charges a $10.00 annual service fee; and a water fee of $1.25 per month which covers operating costs. ....has to charge the same rates as ...since they are so close. *(Commission's Proceedings)*

In larger population centres, on the other hand, the problems are generally less severe. But even St. John's, for instance, has its areas of service inadequacy:

"Many areas in and around the City of St. John's such as the Mundy Pond area, the Quidi Vidi area and Battery are in dire need of the minimum services such as water and sewerage. While in the Mundy Pond area and the Quidi Vidi area contributions are being made by other levels of government for the installation of water and sewer services it is contended that such grants in themselves do not go far enough, and in respect of other areas no contribution is made.

In areas such as the Battery it has been made abundantly clear in various reports relating thereto that it is not feasible to supply even water and sewer services to certain sections thereof. A program should therefore, in the opinion of Council, be instituted for the resettlement of these people in these areas within the limits of the

> City or in some other area where essential services are provided whereupon these people would then make their contribution to the cost of such services through the payment of taxes."
>
> *(City of St. John's Brief,* p. 10)

In one large town, with a combined industrial and municipal system, the Commission was told that "pressure is very low when the plants are operating and some people on the hills only get water when the plants are closed . . ." One of Newfoundland's largest towns with a long and trying history of water utility problems made the following proposal in its submission:

> "The service of providing water and sewerage facilities to the taxpayer should be taken away from the municipalities and given to a Utility (Agency) set up by the Provincial Government (in a manner) similar to the Newfoundland and Labrador Power Commission. This Agency will administer all of the existing systems, and provide services to the remainder of the Island."

The need to establish a provincial water authority was frequently discussed during the inquiry. Most places were in favour of such an agency and recommended that it assume responsibility for all existing systems, and for the installation of new ones. It was widely held that it should assume all existing capital financial obligations and levy and collect a user charge. A large proportion of those who discussed the issue of rates thought the rate should be uniform across the Province and a few others merely expressed concern that it should be reasonable. A few questioned what basis might be used for calculating the rates charged. One municipality wanted more information about how such an agency would be structured and operate before it expressed any opinion. Two representatives were concerned that it be properly administered. Three other individuals proposed that the agency be organized on a regional basis; they suggested that it perhaps could establish uniform rates only within its regions, rather than on a province-wide basis. Two other instruments considered by some to be worth examining, in connection with utility problems in general, were the development of regional municipal governments and the establishment of intermunicipal special-purpose water boards or commissions to provide the needed integration of service facilities.

Another topic of concern to a large number of municipalities was the financing of water and sewerage systems. Only one local authority, which financed its system out of its property tax revenues, expressed satisfaction with the present situation. All the others emphasized the enormous debt involved in obtaining and maintaining a system and the cost of servicing that debt. The only "solution" mentioned by a few was to increase the level of provincial and federal grants. A few representatives also complained about the high cost of engineering fees and of feasibility studies. The bulk of the submissions, however, dealt with the particular problems in the various localities and really offered no solutions. Some of their problems could be classified as follows: (a) the Department of Provincial Affairs and Environment merely refused permission for projects, but had no positive policies as alternatives, and no funds; (b) a few places regretted the lack of supervision given by consultants when local labour was used to install a system;

and (c) some municipalities complained that the "political factor" was too dominant at both the provincial and local levels regarding the choice of places that were actually granted financial assistance and authorized to proceed with the installation or extension of their utility systems.

Most of the technical, administrative and local political troubles associated with water and sewerage services that have been summarized above are bound to increase both in scope and intensity as the Province continues its policy of assisting more and generally smaller municipalities with the development of their local utilities. Furthermore, it is believed that these problems will increase for a considerable time into the future, irrespective of whether immediate proposals are made and implemented relating to municipal planning, provincial assistance for local utility projects, municipal fiscal structure, and the provision of improved technical and administrative support for medium and smaller sized local authorities.

The strategic time frame adopted by the Commission in this inquiry extends over three future decades. During that period it is recommended that the Province gradually establish, in the Island portion of the Province, a system of regional municipal authorities of the kind described in Chapter 13, below. These regional authorities, it is proposed, should be introduced only gradually in carefully selected locations and in accordance with well articulated implementation and sequence schedules. It is believed, therefore, that for many years to come, substantial portions of the Province will not have at their disposal a regional form of government that would enable utility development at the local level to proceed in a more planned, orderly and efficient manner.

The question then to be considered is a strategy in this vital service sector for the interval between the present and the time three decades hence when regional units of municipal government are fully operative throughout the Province. During its inquiry, the Commission has given sustained attention to this pressing matter and has made a number of specific recommendations bearing directly on it in various chapters of this report. These primary recommendations are made in the following areas: first, the immediate introduction of a new legal framework for local government, a new and improved procedure respecting community incorporation, and a new approach toward the amalgamation and integration of existing municipal boundaries (Chapters 10 and 11); second, the introduction of a completely different municipal taxation and fiscal structure (Chapters 6 and 7); and third, the introduction of a completely different provincial fiscal support programme toward local authorities, within which a changed procedure is prescribed for determining provincial assistance in respect of municipal utility development (Chapters 8 and 12). Other recommendations in the report, especially those dealing with various non-fiscal support programmes for local authorities, should have an important though less direct alleviating effect on local government difficulties in the water and sewerage services sector. But none of these broad proposals for structural change in Newfoundland's municipal system contemplates the establishment of any provincial agency to assume full responsibility for the installation, extension, control, management and operation of municipal water and sewerage systems. Neither do they imply the creation of special-purpose inter-municipal water and sewerage utility boards, authorities, commissions or other expedients that seemingly provide organizational "solutions" to jurisdictional, financial and technical problems. The Commission's primary objection to use of these latter bodies is developed in the last section of Chapter 13, below. It is based on an appraisal of the contribution made by similar structural instruments in other jurisdictions where they have been widely used for many years. Our conclusion is that, in Newfoundland's circumstances, they ought to be avoided at all costs. Indeed, their introduction on any considerable scale could, in the opinion of the Commission, render even more abrasive the progress toward regional government. It is believed that there is no need whatever to add to the troubles inherent in any complex regional agenda, by creating an additional layer of institutional expedients within discrete or specific service sectors.

The Commission's rejection of the second major option mentioned above, namely, the establishment of a provincially-owned crown corporation to assume full responsibility for water and sewerage services, requires brief comment. First, when the practice of other Canadian, American and European jurisdictions in this sector was studied, it became clear that in every instance where a developed system of local government existed, responsibility for the operation of water and sewerage utilities was a delegated municipal function universally used. Various provincial, state and other senior government agencies, it is true, are sometimes authorized to deliver water and sewerage services — as for example, the Province of New Brunswick does in its rural service districts — but that is altogether another question. Second, are Newfoundland's circumstances so different that such an unusual structural response is required? We do not believe that they are. Third, is there in fact *any* realism in the analogy between the delivery of water and sewerage services and of electric energy services? We believe that, except in the trivial sense, there is none. In a word, it has been concluded that for very practical, natural, technical, fiscal, administrative and political reasons, responsibility for the management and operation of local utility systems, and the delivery of water and sewerage services to households in all communities, should remain a primary municipal responsibility.

As a substitute for special-purpose inter-municipal utility boards and commissions, and in lieu of a provincial Crown Corporation to assume all local utility functions, the Commission recommends the following arrangements, until such time as regional authorities can be established and assume their area-wide utility functions designated in Chapter 13. First, where in any location there exists a pressing joint municipal requirement for area-wide water supply and sewerage disposal facilities, particularly in densely populated locations fragmented by municipal boundaries, consideration should first be given to municipal integration, with a view to creating a unitary local government having territorial scope sufficiently broad to internalize the area's utility and other service development requirements. This end can sometimes be achieved by placing the enlarged, outer boundary well beyond the limits of present urban development, and then by adding a control zone beyond that boundary to include the appropriate water supply sources, reservoirs and watersheds. This latter arrangement is provided for in *The City of St. John's Act*. (changes in the procedures relating to boundary adjustments are outlined in Chapter 11, below)

Where such a course is not practicable, or where smaller satellite communities exist in an area and jurisdictional barriers to such integration are raised, then the Province should directly provide inter-municipal facilities deemed to be essential. The installation cost of these area-wide utility facilities should be included as part of the Province's annual allocation of local borrowings on behalf of capital projects generally; and these particular allocations should be made strictly in accordance with the procedures recommended in Chapters 8 and 12, i.e., by the Lieutenant-Governor in Council upon the recommendation of the Minister and the proposed Municipal Capital Projects Board. *It should also be made explicit that all capital repayment and interest costs, together with all other operating costs, should become an annual charge levied on the municipalities making use of the facilities so provided.*

It is assumed by the Commission that all technical decisions taken with respect to these inter-municipal utility projects would be related to prior planning associated with the ultimate introduction of regional municipal authorities. It is recommended in Chapter 13 that when they are fully operative, these bodies should assume responsibility for all these provincial utility facilities within their boundaries. It may be noted as well that Section 17 (i) of *The Department of Municipal Affairs and Housing Act* already clothes the Minister, subject to the concurrence of the Lieutenant-Governor in Council, with all the authority needed to engage in the provision of these facilities and to levy upon user municipalities the required annual user charges. Nor would it be necessary to provide an additional administrative unit to supervise installations and to assume subsequent management responsibilities. The department has engineering and technical personnel in several divisions; it is already responsible for a broad range of water and utility systems. Its water services division, for example, assists nearly 300 water supply committees in the unincorporated communities throughout the Province. The division already is responsible for the more than 20 A.D.B. - D.R.E.E. industrial and community water systems referred to earlier; and its annual estimated budget for current and capital purposes during 1974-75 is $1,720,000. The additional responsibilities inherent in the above recommendation could readily be accommodated within the present framework of this administrative unit.

This section opened with a proposal for the establishment of a comprehensive plan for water use and development in Newfoundland. Considerable research work on provincial water resources was begun as a result of an A.D.B. major study completed some years ago. The Clean Air, Water, and Soil Authority had begun work on a province-wide water policy before its abolition in 1972. This initial work should be continued and completed in order that municipal water utilization within the various regions can proceed in a manner consistent with broader provincial requirements.

Further detail concerning the procedures associated with the financial and budgetary aspects of municipal water and sewerage services can be found in Part III of this report, together with some important recommendations in Chapter 13, below.

(c) *Roads*

The main purpose of local roads is to provide access to and egress from houses, services and property. Local collector roads enable vehicles to move within and between communities. New or upgraded roads are normally associated with local development. Feeder, arterial, diversionary and trunk roads serve purposes related to regional and province-wide needs; they are intended to move traffic efficiently around smaller centres, through and between regions, or across the entire Province. Roads, bridges and highways should be engineered and constructed in accordance with the standards appropriate to their specific uses. The size of the community and its density also influence standards. High density or heavy traffic volume areas in many instances may require wide, paved roads with sidewalks, curbs, gutters and lighting of the highest quality. Areas of lower density need narrower, well-lit pavement frequently without sidewalks, curbs or gutters. Selective lighting and gravel roads of good quality suffice for very low density areas. Because of the characteristics of their use, moreover, many local roads need only attain minimum standards.

The Commission does not propose to deal with the many technical aspects of road design, construction and materials use, except to observe that it is usually less expensive to maintain road surfaces built to high standards. It is our impression that technical and administrative problems with respect to roads and bridges in Newfoundland's municipalities are far fewer and less irksome than those associated with water and sewerage services. *Yet the two functions may come into conflict when it is decided, for instance, to install a water and sewer system after the completion of a paving programme, or where residential density is high and there are numerous twisting, narrow lanes and pathways.* Major local road undertakings are not common in Newfoundland except in the larger centres. All thoroughfares within municipalities classified and designated by the Province as main and secondary highways are not a local responsibility.

The 199 communities included in the Community Services Standards survey contain within their boundaries a total of 2,198 miles of public road. 36 per cent of this mileage is designated as provincial; the remaining 64 per cent is municipal. The pavement ratio (i.e., paved roads as a percentage of all public roads in communities) varies directly with the size of communities. This pattern is somewhat similar to that noted earlier in the water and sewerage sector, except that the relationship is more uneven but generally less extreme. (see Table 5-5)

Table 5-5: Number of Communities and Pavement Ratios by Community Size Group, Newfoundland, 1972

Size Group	No. Communities	% Paved Roads
7,500 +	7	65.5
5,000 - 7,499	4	50.4
2,500 - 4,999	16	61.2
1,000 - 2,499	56	48.8
500 - 999	116	20.1
TOTAL	199	44.1

Taken overall, 44 per cent of all public roads within the surveyed communities are paved. The highest pavement ratio (66%) is reported in the seven communities within the largest group. Virtually the same ratio (50% and 49% respectively) is found in the second and fourth groups with 60 communities, whereas the ratio for the third group (61%) with 16 communities closely follows the first. Only one-fifth (20%) of total mileage is paved in the 116 units comprising the smallest group. (See Table 5-6)

Table 5-6: Number of Communities and Pavement Ratios by Census Divisions, Newfoundland, 1972

Census Division	No. Communities	% Paved Roads
1. Avalon Peninsula	71	46.8
2. Burin Peninsula	11	64.4
3. South Coast	13	13.7
4. St. George's Bay	10	55.5
5. Humber Valley	14	41.7
6. Central Newfoundland	10	88.1
7. Trinity-Bonavista Bays	20	34.1
8. Notre Dame-Green Bays	29	24.2
9. Northern Peninsula	13	7.5
10. Labrador	8	42.6
TOTAL	199	44.1

The highest pavement ratio (88%) is found in the 10 Central Newfoundland communities. Moderately high ratios (64% and 56% respectively) are reported as well in the 21 communities in the Burin and St. George's Bay areas. Ratios in the Avalon, Labrador and Humber Valley areas including 93 units are scattered about the provincial average (44%). The two northeast coast regions containing 49 units are well below average and report ratios of 34 and 24 per cent respectively. Finally, the 26 communities on the South Coast and the Northern Peninsula lag far behind with an average of approximately one-tenth of their roads paved.

At the time the survey was undertaken, officials estimated that the capital cost of constructing one mile of paved road at a standard appropriate to high density requirements (120 houses per mile on the average) amounted to just over $248,000. This estimate was based on an assumed width of 24 feet and included the needed sidewalks, curbs, gutters, storm drainage pipes, manholes, culverts and service entrances. The estimated cost of achieving acceptable local road standards throughout Newfoundland at that time was estimated as shown in Table 5-7:

Table 5-7: Estimated Cost of Providing Adequate Paved Roads in High and Medium Density Areas of Newfoundland, 1973

	Million
Municipal Roads	$73.0
Provincial Roads (within municipalities)	20.0
TOTAL	$93.0

Again, the Commission emphasizes that these estimates are based on 1972 costs, that they are confined to present requirements only and that they include merely the capital as distinct from the operating costs associated with the maintenance of roads. The financial implications arising from these and other municipal service requirements are examined fully in Part

III of this report. As with water and sewerage facilities, local demand for adequate road services is both general and intense. Some variations in requirements based upon criteria of need are apparent. As indicated earlier, the provision of minimum pavement requirements has barely begun in some regions. In many small communities minimum but often quite costly projects must be undertaken. In the areas adjacent to larger centres the combination of haphazard, high-density development and heavy traffic volumes produces dangerous conditions. In the study dealing with a proposed Municipal Services Plan (p. 48), the *St. John's Urban Region Study* illustrates graphically the deficiency of road services typically found in these densely populated, unincorporated areas.

> "In many cases sites were developed deep, creating private lanes which were pushed back further and further and have now become public by usage. These local sideroads exhibit no pattern. No thought appears to have been given to the possibility of interconnection. Many of the roads are culs-de-sac in excess of 1,000 feet and as a result cause inefficient conditions for trucks, school buses, mail delivery and snowplows; ... Most of them have poor alignment and drainage but are surfaced and graded periodically with gravel.
>
> At intersection with the main roads, conditions are particularly bad, with poor sight distance and in many cases no definition. None of these roads have any amenity for pedestrians, there are no sidewalks nor lighting in most instances, and the only protection a pedestrian has is to be light on his feet. Such conditions contribute to accidents; for instance on the Conception Bay Highway from Topsail to Manuels, statistics maintained by the Department of Highways indicate an accident rate of 5.9 million vehicle-miles; a level of 5.0 is considered grounds for a detailed investigation with a view to improvement. Other roads have an accident rate slightly less than this figure."

The Commission did not receive any number of complaints or proposals respecting the more technical aspect of road services, except the usual comment that financial limitations made it difficult to attain proper standards of maintenance and to proceed with local road development when it was required. Road services have been a traditional matter of concern in Newfoundland. But it is clear that improvement in these services renders it unnecessary for the Commission to make major recommendations. It is recognized, however, that particularly in the Northern Peninsula and coastal Labrador, and Northeast and the South Coast regions, local road standards are extremely low. In the design for regional government recommended in Chapter 13, it is not recommended that responsibility for highways now under provincial jurisdiction should be delegated to the regional authorities. It is clear, in any case, that regional governments would play a central role with respect to local road construction, maintenance and snow removal in the smaller incorporated units and the local service districts.

Another advantage of a regional service responsibility in this sector would be a probable diminution of the prevailing uncertainty regarding the terms and conditions under which municipalities obtain access to provincial government road maintenance supplies or equipment rentals. There is in this area a complication due to the existence in many communities of private contractors with heavy equipment for hire. Naturally, they do not tend to view with favour any rental subsidy provided by the Province to the municipalities in respect of provincial equipment. The Commission is aware that there are guidelines in effect which establish rules and procedures in these relationships. (see Chapter 14, below) But it is also aware that there are many municipal leaders who consider these guidelines insufficiently flexible. *It is recommended, therefore, that there be a complete review of the present policy in relation to the conditions under which the Province rents heavy equipment to municipalities and sells or otherwise makes available to them road construction, maintenance and other materials.*

(d) *Public Transportation*

The Commission received virtually no representations on the purely municipal dimensions of transportation needs. The City of St. John's, which has long had a difficult problem in this particular sector, offered the following recommendation:

> "The Provincial Government should also sit down with the Municipal Governments and work out a policy relating to public transportation. It should be a provision of such policy that the cost of operating the same over and above the revenue received would be paid by Government grants or subsidies and that the capital cost of providing new equipment and or improving routes would also be paid for by the Government. Furthermore, the use of public transportation in the City by students is proportionately high but the Provincial Government makes no contributions or grants to the City for supplying such services, although outside the City, the Province pays for transporting students to central schools, and even from places outside the City to schools within the City. It is submitted that the Provincial Government should make a grant to the City's transportation system for the service it renders in the transportation of students."
>
> *City of St. John's Brief,* p. 11.

The Commission is also aware that similar public transportation problems exist in Corner Brook. Since these difficulties are largely confined to the cities, however, and involve complex technical and financial considerations, our wish is merely to draw public attention to their existence.

3. Protective Services

(a) *Police Protection*

This important function is exercised essentially by provincial authorities. In his capacity as Attorney-General of Newfoundland, the Minister of Justice is assigned general responsibility for the administration of justice (including the enforcement of provisions of a federal statute, *The Criminal Code of Canada*, the appointment of magistrates and supervision of *all* police. *Provincial* as distinct from *local* police functions are performed by the R.C.M.P. in accordance with contractual arrangements. Members of the national force are also charged with the enforcement of all federal statutes and regulations within the Province. The Province also appoints, administers and pays for the Newfoundland Constabulary, a force that in the normal course provides municipal police services only in the City of St. John's.

Additionally, the Province underwrites annually the R.C.M.P. contract cost of providing a municipal police force for the city of Corner Brook. There is also a small R.C.M.P. contingent responsible for municipal policing at Labrador City. The cost of this latter unit is assumed fully by the municipal council.

Under Section 32 of *The Local Government Act*, municipal councils are empowered to appoint and remunerate municipal policemen who hold their offices during the pleasure of the councils. The *Act* further specifies that each of these duly appointed municipal police officers "has and may exercise, within the municipality for which he is appointed, all the powers possessed by or given to a member of the Constabulary Force of Newfoundland". Section 33 of the same *Act* provides that municipal councils may make suitable arrangements with the government to engage the services of the Constabulary, the Newfoundland Company of Rangers or, subject to approval of the Lieutenant-Governor in Council, the R.C.M.P. for municipal police purposes. The same section authorizes municipalities to make arrangements with government for operating local jails and caring for arrested prisoners.

Information on the disposition within Newfoundland of all police personnel was obtained by the Commission in the spring of 1973. For this reason, the following data are somewhat outdated, although the structures which they illustrate have not altered. At the beginning of 1973, the R.C.M.P. maintained 45 detachments, then consisting of 296 officers, in two cities, 31 towns, four local improvement districts, seven communities and one rural district. Forty-one of these officers were engaged in strictly municipal policing at Corner Brook and another six at Labrador City. In addition, the force maintained 47 officers in highway patrols, and another 44 in specialized areas. The Newfoundland Constabulary Force then had a smaller total personnel in excess of 200 officers. The estimated contract cost to Newfoundland of the R.C.M.P. for *provincial* police services and for *municipal* policing in Corner Brook during 1974-75 is estimated at $4,389,100. The purely municipal element in this figure now exceeds $600,000. The estimated cost of the Constabulary Force, on the other hand, amounts to $2,149,300. In Labrador City the contract for the municipal R.C.M.P. is now in excess of $50,000. (For details see Table 5-8, below) Outside of St. John's, Corner Brook and Labrador City, however, municipal police forces are almost non-existent. Some of the larger towns such as Gander, Mount Pearl, Grand Falls do maintain small municipal forces. In recent years, (e.g., 1972) two- and three-man forces were common in these larger towns, although the number has since increased to some extent. In the latter year, for instance, the following larger towns had but a single police officer appointed: Port aux Basques, Deer Lake, Grand Bank, Stephenville, Windsor and Wabush. A few municipal units, e.g., Lewisporte, have experimented with a single full-time local officer who combined police and administrative functions. Carbonear had a single officer in 1973 who concerned himself solely with traffic duty: "he is not a proper policeman". It is a rough estimate that the combined expenditure on behalf of these small, local police forces is now in the order of $250,000.

There can be no doubt that the matter of achieving an adequate municipal police service is regarded by many as one of the most pressing local requirements. The Commission received 50 separate representations relating to this particular service sector. The dimensions of need as they are perceived locally are best illustrated, perhaps extremely, in the following section of a submission from one small, isolated, island town:

> "One of the greatest frustrations which the present council faces is our inability to enforce council regulations for want of a police officer. We do have the necessary regulations to control dogs, prevent litter being thrown on the street, and regulate traffic but how can these regulations be enforced without a body of some kind to see that they are obeyed. As a result our young people are growing up without the least regard for the property of the Town or of its citizens, garbage containers are almost completely ignored, young people are roaming the streets at all hours of the night seeking what they may destroy and the forty motor vehicles, numerous motor cycles and innumerable bicycles careen over our 3 miles of road practically without regard for the rest of our population. In fact Council are very much concerned that a serious accident will take one or more lives any day.
>
> Our only hope of having violations of regulations brought to justice is if some public spirited citizen takes it upon himself or herself to report the offender and appear in court as a witness. This obviously most people refuse to do. Council members, many of whom depend upon good public relations for success in their businesses can hardly be expected to lose trade by making enemies in this way. The obvious need — and the need is desperate — is for a Municipal Policeman who has to be paid by funds. Law and order cannot be maintained by a R.C.M.P. officer who visits here from . . . about twice a month unless called in because of an accident. Council was concerned that large numbers of men and boys were making it a regular practice to patrol the beaches all around the island with loaded rifles and shotguns in search of any unsuspecting bird within range. You can appreciate that confined as we are to a few small islands, large numbers of our population both young and old roam all over the island for exercise and relaxation. We felt that the firing of guns anywhere on the island on which our Town is located would endanger our people and twice requested the Minister of Justice to give us the necessary approval for regulations to ban the use of firearms on this Island. We were very disappointed to be told several months later that after consulting with the RCMP at . . . he could see no necessity of such a regulation. So any day you can see men and boys walking the shoreline with loaded guns and there is nothing Council can do about it."

An analysis of the representations received by the Commission indicates a broad general recognition of the high service standards maintained by the R.C.M.P. with respect to its federal and provincial responsibilities. Possession of a detachment is in many instances a matter of local pride. Complaints regarding the R.C.M.P. tended to focus on specific technical matters ("no answer on the detachment telephone between 2:00 a.m. and 6:00 a.m."). A recurring issue was uncertainty respecting the role of R.C.M.P. officers in the enforcement of municipal regulations ("Child badly bitten by dog:

R.C.M.P. cannot lay a charge regarding violation of Municipal Dog Regulations"; "...they (i.e., enforcement of local regulations) are undertaken if the corporal of the day is a 'good jury'"). Commanding officers, it was alleged, tended to have different interpretations of their responsibilities in relation to enforcement of local regulations.

There is clearly, as well, a great deal of uncertainty and administrative difficulty with respect to animal (particularly dog) control and local traffic regulations. Some local representatives complained that they were not empowered to make regulations regarding animal control. This complaint, however, is unfounded in fact. Others appear to fear the uncertain political and administrative costs associated with an efficient animal control programme. For a small community these latter costs can be substantial when a catcher has to be employed (if one can be caught), provided with transportation, and when pounds, holding facilities, animal food, disposal and other supervisory details are attended to in a responsible manner. One municipality has rescinded its regulations with regard to dogs, and has justified its action on the ground that current legislation gives to the government adequate power to impose and administer province-wide standards in this area. Enforcement in this instance becomes the responsibility of the R.C.M.P. in its role as the provincial force.

On the matter of police services in general, one quarter of those who made representations to the Commission thought the major problem was the difficulty, at present, of enforcing municipal regulations, particularly traffic and animal control regulations. A few municipalities thought there was no particular police service problem and were quite satisfied with their existing local police, who were, in all but one case, members of the R.C.M.P. Most municipalities, while not necessarily being able to define a specific problem, were, however, dissatisfied with their present police arrangements, and made the following suggestions. (1) Two representatives suggested a regional police force. The one person who elaborated on this suggestion wanted the force responsible to a regional council for the enforcement of regulations passed by that council, but also to a commanding officer in St. John's for training and promotion. (2) One third of those dissatisfied thought the Constabulary should be expanded to a provincial force. Most members of this group were willing to contribute to the costs and thought their duties would be the enforcement of purely municipal regulations. One representative noted, however, that the Constabulary was unpopular in his area "ever since Badger." (3) A slightly larger number wanted a local policeman who would belong to a provincial force, and most of these thought the government should pay all of the costs. Most members of this group did not specify the duties of the proposed force nor how it would be organized.

The Commission undertook a thorough examination of the municipal police question. It has examined all the operative legislation and the memoranda of agreements between the Province and the Government of Canada under which the latter, through the R.C.M.P., provides provincial police services and city police services in Corner Brook. It has communicated with the Department of Justice and received all the requested additional information. Following the public hearings, and after all submissions on the subject were reviewed, it met with the Minister and Deputy Minister of Justice, and with Chief Superintendent K. B. M. Fraser, Commanding Officer of "B" Division of the R.C.M.P., and two of his senior staff officers.

Before presenting its conclusions and recommendations, the Commission wishes to place on record the following matters germane to this subject. First, Section 19 of *The Royal Canadian Mounted Police Act*, a federal statute, expressly prohibits members of the force from carrying out any duties relating to municipal by-laws without prior approval of the Governor in Council. Second, we cite below the relevant sections of the R.C.M.P. contract:

> "5. The Division shall perform in the Province such duties and render such services as are ordinarily performed by peace officers in aiding the administration of justice and in carrying into effect the laws of the Province.
>
> 7. (1) The Division shall not, without the consent of the Commissioner be required to perform any police duties in any municipality having a population of more than 1,500.
>
> (2) Upon a request being received from the Attorney General for the policing of a municipality, not over 1,500 population, police duties will be assumed in such municipality as soon as any additional members who may be required in order to meet such request are available.
>
> (3) Notwithstanding subparagraph (1) the Division will, at the request of the Attorney General, carry out specific investigations into criminal matters of an important nature, or perform emergency police duties, anywhere in the Province; but in the latter case the duration of the emergency duties shall not in any place exceed thirty days in any period of twelve months without the approval of the Commissioner."

Under other sections of this agreement the base number of R.C.M.P. divisional officers is set at 263, but this number can be increased or decreased, in accordance with a formula, upon the request of the Attorney-General of Newfoundland. That formula requires an increased cost to the Province for greater numbers in the division, and also for increased detachments above a fixed number. The agreement, which was entered into in 1966, also specifies that beginning in 1966-67 the contract cost to the Province was to be 41 per cent of the average per-officer cost of operating and maintaining the division in the previous fiscal year, multiplied by the number of officers in the division during the current year. This payment was to increase by one percentage point annually until it reached a maximum of 50 per cent in 1975-76. (There are many other features of the agreement but they are not directly related to the municipal police sector.)

Third, it was noted earlier that under Section 32 of *The Local Government Act*, any duly appointed municipal police officer has and may exercise, within the municipality for which he is appointed, all the powers possessed by or given to a member of the Constabulary Force of Newfoundland. Members of the latter force have in general the same authority as the R.C.M.P. The Deputy Minister of Justice has advised the Commission on this matter as follows:

> "While we have issued no directives limiting Section 32 of The Local Government Act, 1972, we have stated in letters to the Deputy Minister of Municipal Affairs and Housing that we do not

wish municipal police officers to exercise any powers other than those necessary for enforcing municipal by-laws."

Under the appropriate sections of *The Local Government Act*, municipal councils are empowered to enact and enforce regulations in the following areas:

1. Local tax collection;
2. Collecting various fees, permits, licences;
3. Removing and disposing of obnoxious materials;
4. Enforcing anti-litter regulations;
5. Monitoring sewerage disposal, well construction, water contamination and alteration of water works or natural waterways;
6. Enforcing subdivision control and building codes;
7. Supervising local recreation and other amenities;
8. Prohibiting and abating public nuisances;
9. Animal licensing and control;
10. Local safety and traffic control;
11. Regulating food storage and eating establishments;
12. Regulating business premises;
13. Regulating fences and removing road obstructions;
14. Regulating utility company activity;
15. Regulating taxi services and other transport services;
16. Regulating outdoor advertising;
17. Regulating business and closing hours;
18. Supervising local parking lots and meters;
19. Supervising trailer courts and mobile home locations;
20. Supervising cemeteries;
21. Supervising local airport or air-strip facilities;
22. Supervising snow-clearance.

It is the Commission's conclusion that the practical consequences of these statutory provisions, intergovernmental agreements and ministerial directives are as follows. First, no member of the R.C.M.P. can be "charged with any duties under . . . ." any municipal by-laws or regulations unless there is a formal agreement signed by the Attorney-General of Newfoundland and the Solicitor-General of Canada expressly authorizing those duties. Such an agreement exists, for example, in the case of Corner Brook's R.C.M.P. contract. Second, under the provincial R.C.M.P. contract, even when requested by the Minister of Justice, divisional officers cannot "be required to perform" police duties in a municipality with a population in excess of 1,500 unless authorized to do so by the Commissioner of the R.C.M.P. in Ottawa. But there is, thirdly, an exception to this rule of limited duration in the case of "criminal matters of an important nature" or in the exercise of "emergency police powers". In instances where the request is made by the Minister of Justice in respect of municipalities of under 1,500, no clearance from Ottawa is required, but the division is authorized to proceed when manpower becomes available for the assignment. Unless, therefore, the Newfoundland Minister of Justice makes the required requests and they are acted upon, R.C.M.P. forces in Newfoundland "cannot be required" to enforce municipal regulations. Hence it is technically incorrect to assume that members of the national force are derelict in their obligation with respect to the enforcement of municipal regulations at the request, say, of a Mayor or Town Manager, since, unless directed by the Newfoundland

Minister of Justice in the manner described above, they have no obligation in this matter. This arrangement may not be considered to be the best one for a Province like Newfoundland, but it is nevertheless the operative one.

It is also apparent, fourth, that notwithstanding the words of Section 32 of *The Local Government Act*, a municipal police officer has all the authority needed to enforce municipal regulations, but in practice no further power. Examination of the list of matters upon which municipal councils may enact regulations will indicate, however, that a police presence, strictly speaking, is really required for a very limited number of functions: traffic and crowd control, control of vandalism, animal control, and possibly abating certain kinds of public nuisances. Indeed, some would disclaim any of these functions as being "police" activities in the professional sense. All other local regulations are or should be "enforceable" by administrative means. In extreme cases, it is admitted, this procedure may require reference to the magistrate's court, in which case there appears to be great difficulty securing the needed witnesses, particularly in the smaller municipalities. (In fact, the Commission heard a considerable volume of evidence which suggests that the various provisions of statutes requiring recourse to a magistrate for municipal administrative enforcement are not too effective in practice.)

The cost of police services, fifthly, is a major limitation. Few smaller communities feel that they can afford even a single municipal police officer and the necessary expense associated with equipment and facilities. If they feel that they can do so, then they believe that the appointee ought to be a "real" policeman. In some other cases where a single local police officer has been appointed, there has been insufficient police work to keep him employed. From a provincial standpoint, the government's policy has been stated clearly by the Minister on several occasions in recent years: the Constabulary force will not be expanded to form a general municipal police organization for the Province. Nor will it be expanded and made the provincial police force. Invariably, cost factors are cited as one most important limiting condition. Under the agreement with the Government of Canada, as has been indicated, the real cost of maintaining each R.C.M.P. officer in Newfoundland is subsidized at present by approximately 50 per cent. The full cost of the Constabulary force, on the other hand, is assumed by the Province.

Recent cost trends associated with the provision of provincial police services and their relationship with overall *current* expenditures on protection and on all provincial services are detailed in Table 5-8:

Table 5-8: Annual and Estimated Cost to the Province of R.C.M.P. Service Rental and of the Newfoundland Constabulary Force Related to Total Expenditure on Protection and to Total Provincial Current Expenditure, 1968-74

Current Expenditure	**1968-69**	**1971-72**	**1974-75**	
Royal Canadian Mounted Police	*(thousand $)*	*(thousand $)*	*(thousand $)*	*Increase %*
Service Rental (Provincial)	1,650.3	2,324.0	3,770.1	128.4
Service Rental (Corner Brook)	331.9	432.6	619.0	86.5
TOTAL	1,982.2	2,756.7	4,389.1	121.4

Newfoundland Constabulary Force				
Salaries	1,088.5	1,518.9	1,910.5	75.6
Current Expenses	152.6	204.4	238.8	56.5
TOTAL	1,241.1	1,723.3	2,149.3	73.2
Total Police Expenditure	3,223.3	4,480.0	6,438.4	99.7
Total Expenditure on Protection	8,058.0	10,642.0	13,600.1	68.8
Total Provincial Expenditure	254,828.0	367,212.0	444,373.6	74.4

Sources: Public Accounts of Newfoundland; Supplement to the Historical Statistics of Newfoundland and Labrador, Table G-3; *Budget Estimates*, Department of Justice, 1974-75.

When interpreting the above data it should be remembered that the budgetary estimates relating to R.C.M.P. service contract expenditures are based upon reasonably full costs, less the amount of subsidy. Constabulary force expenditures, on the other hand, do not include many overhead charges. For this reason, per-officer current cost comparisons (based upon the figures above) between the two forces are quite unrealistic. In any event, since 1968-69, the growth of R.C.M.P. contract expenditures has more than doubled, whereas the Constabulary force costs have increased by only three-quarters. But the Commission believes that expenditure on the latter force during 1974-75 will in fact exceed the amount estimated, because of the recent agreement reached between the government and the Brotherhood.

More important perhaps than inter-force cost comparisons is the relationship between direct total police costs and total costs of provincial protection services. Whereas in 1968-69 police costs amounted to 40 per cent of total expenditures on protection, they have grown in six years to more than 47 per cent of the latter total. All protection services, on the other hand, have remained stable during the same period in relation to total current provincial expenditure. Each year this ratio varies slightly about the mean of three per cent. Thus, while all provincial expenditures since 1968-69 have grown by nearly three-quarters (74.4%), total police costs have almost doubled (99.7%), and total outlays on protective services have grown at a rate somewhat below the general budgetary average (68.8%). Newfoundland's combined provincial-municipal expenditure per capita on protection in 1972 as compared with that in other provinces is seen in Tables 8-9, Appendix C. Apart from Prince Edward Island, it tends to have the lowest per capita expenditure ($27.28) in Canada. The all-province average was $62.20; the highest expenditure was reported in Ontario, namely $72.78. The Newfoundland combined protection expenditure outlay in 1972 represented only 2.5 per cent of provincial-municipal gross expenditures on current and capital accounts, as compared with 5.7 per cent in all ten provinces and 6.5 per cent in Ontario. There is thus a clear indication that protective services in this Province are not accorded a high budgetary priority even when inter-provincial differences in need are taken into account.

Although there is much general dissatisfaction with municipal police arrangements, suggestions for improvement tend to be both few in number and prohibitive in cost. The Commission has nevertheless reached the conclusion that between the services provided by the R.C.M.P. in its capacity as the provincial police force, and those supplied locally by untrained or partly trained and sometimes part-time appointees enforcing council regulations, there is in Newfoundland's circumstances a clear need for a bona fide regional police service. Except possibly in the very largest municipalities, a regional police force should in time supplant all local officers and provide these essential services to all regional communities. Regional police, like the R.C.M.P. and the Constabulary Force, should be fully authorized provincial officers of the peace. Each regional police establishment should contain at least a three-person core of officers supplied either by the Constabulary Force or recruited from among policemen with at least equivalent training and experience; and the remainder of each regional complement should consist of local appointees who would be required to become trained in police methods. Members of these regional police establishments should be rotated in accordance with some formula.

The gradual development of a regional force along these lines is proposed in Chapter 13, below. Its introduction on an island-wide scale, for obvious reasons, must remain a long-term objective for implementation over the next three decades. *But as a beginning, and coincidental with the establishment of the first regional municipal authority, the Commission recommends that a field test be undertaken by the Department of Justice to determine how, in practice, these regional police establishments should best be structured, how their recruitment, staff, equipment, training and other programmes should be designed, and how their operations should relate at the regional level to the R.C.M.P. detachments, to local authorities and to the Department of Justice. It also recommends that in the planning and experimental stages of this first regional police unit, the R.C.M.P. should be requested to supply advisory or, if necessary, supervisory field services for a period of at least two years. The entire planning, development and operational cost of the first regional unit should be assumed by the Province, and a careful monitoring and evaluation system established in relation to the plan. After a period of not more than five years, and based upon its field experience with the first regional model, the Department of Justice should be directed to prepare a detailed implementation schedule for the systematic deployment of regional police units as regional municipal authorities become established. The formulation of such a schedule should of necessity be developed in conjunction with the regional planning and implementation division which it is proposed shall become the pivotal coordinating unit in the Department of Municipal Affairs and Housing in regard to all planning and implementation aspects of the broad regional plan herein proposed.*

It will be obvious that the Commission does not regard this matter as the sort of programme that can be undertaken in any normal, routine administrative manner. Indeed, if it is not approached systematically, and assigned specifically to officials with established objectives and clear implementation guidelines, it had better not be undertaken at all. But the Commission emphasizes that there is a clear and immediate need for con-

certed policy formulation in this area.

It is recommended, further, that allied with the longer-term programme described above, the Department of Justice should consider the development of a plan to enable and indeed encourage the larger municipalities in Newfoundland to assume their full police responsibility in common with the larger municipalities in all other Canadian, American and European jurisdictions. Traditional and present methods of centralization, tutelage and the rigid categorization of functions increasingly inhibits the capacity of government to respond effectively to real collective needs in this important service sector. In the administration of justice, control and central direction is clearly a pre-eminent requirement; but within that framework it should be possible in Newfoundland — as it obviously is possible everywhere else — for urban municipalities with populations in excess of, say, 7,000 to operate municipal police forces whose personnel have the full status of peace officers. *The Commission recommends, therefore, that the Department of Justice begin work on the formulation of a set of regulations under which larger local authorities in the Province could be released from the present administrative constraint imposed on all municipal police appointees.* The Commission does not attempt to specify the contents of those regulations but they obviously should include requirements with respect to recruitment, remuneration, training, organization and operating procedures. The relationship between local councils, councillors, their administrative staffs, and local police officers should also be designated. *At present levels of municipal development, it is considered that very few units would qualify for the recommended exemption and the added complications from a central administrative standpoint would thus not be excessive.*

There is a need for more attention both provincially and locally in regard to police training requirements. This need is well understood by the government and its municipalities. Unfortunately, the recent growth of overall police costs has been very rapid, and the development of even minimal training programmes would add *significantly* to those costs. *It has been shown, however, that protection expenditures in Newfoundland remain at relatively low levels. Since the two recommendations made above cannot be regarded as being excessively cost-intensive, the Commission further recommends that an additional budgetary allocation should be made in respect of both the Constabulary Force and municipal police for training purposes.*

This latter recommendation raises a general question about which there is a considerable misunderstanding in Newfoundland. St. John's is the only metropolitan municipality in Canada whose city police and fire services are supplied wholly by the provincial government. Corner Brook's entire city police budget, as we have seen, is also assumed by the Province. The Commission was told on some occasions that these special provisions amounted to a severe budgetary discrimination against all the non-city municipalities, but particularly the larger towns whose municipal budgets do not tend to be supported by provincial grants to the same extent as those of the smaller municipalities. These questions are examined fully in Chapter 8, below. With the exception of Grand Falls and Gander, however, the allegation of budgetary discrimination is not generally sustained by the facts. Based upon their audited financial statements for 1971 — the most recent year for which complete financial records were available to the Commission — total provincial support ratios in the two cities, 19 larger towns and one local improvement district were as follows:

Municipality	%
St. John's	27.3
Corner Brook	23.5
Baie Verte	25.6
Bay Roberts	52.6
Bishop's Falls	59.6
Bonavista	51.0
Burgeo	74.8
Burin	57.3
Carbonear	38.0
Channel-Port aux Basques	46.7
Clarenville	47.5
Deer Lake	49.7
Dunville	79.0
Fortune	44.3
Gander	18.7
Grand Falls	15.2
Happy Valley	61.7
Mount Pearl	40.2
Springdale	40.0
Stephenville	29.9
Windsor	47.1
Labrador City	12.4

These ratios include all types of Provincial fiscal support to the municipalities in 1971, including, in the case of St. John's, the full cost to the Province of supplying police and fire services together with the token city grant. In the case of Corner Brook they include as well the Provincial cost of the R.C.M.P. Contract and all city grants. Since the town ratios contain a large "special grant" component, they tend to fluctuate greatly from year to year. (The abnormally high ratios for 1971 in the case of towns like Burgeo, Dunville and Happy Valley, for example, reflect the fiscal conditions prevailing during that year.) But the general long-term structure of provincial support for the city and large town units is nevertheless accurately conveyed by the above comparison. As has already been suggested, it is clear that at present the Province's proportional support for its non-city municipalities is nearly double that accorded its two cities. Yet there is an obvious budgetary anomaly with respect to Grand Falls and Gander; the special and major industrial contributions associated with municipal operations at Labrador City and Baie Verte to some extent explain the low ratios found in those units.

The Commission has concluded that there are both advantages and disadvantages to the Province and to the City of St. John's in the traditional arrangement regarding city police services. *Accordingly, it believes that this matter should in the future as in the past be determined by the mutual preferences of the Province and of the City, jointly with those of any new metropolitan regional government which may be established. But it also believes that the annual costs associated with the Constabulary Force and the Fire Department should be reckoned as part of the Province's support to St. John's and its metropolitan region. This is a working assumption used in the financial chapters found in Part III of this report.*

(b) *Fire Protection*

Newfoundland's fire protection service levels are probably the lowest in Canada. In 1971, for instance, the Fire Commissioner reported 565 structural fire outbreaks. Only two-thirds of the loss associated with these fires was covered by insurance. ***In the ten years prior to 1971, 179 fire fatalities were reported, 97 (54.2%) of which were children.*** Death resulting from fires ranged from a low of four in 1969 to a high of 28 in 1964. Fully 42.5 per cent of all fires during 1971 occurred in the two cities. In the latter year, moreover, 300 (53.1%) fires were reported in respect of residential properties (dwellings, apartments, summer homes, etc.). Although there were 221 incorporated municipalities in 1971, barely one-half reported organized fire brigades, including seven company (non-municipal) local fire organizations, some of which provide a municipal service. Only three municipalities maintained fully-paid brigades: St. John's, Corner Brook and Stephenville-Harmon. Among the 103 voluntary fire brigades reporting, fully 46 possessed only portable firefighting equipment.

Basic requirements in this service sector depend first upon building standards that minimize hazards, and second upon speedy access to materials such as water, sand and chemicals. Adequately located trucks and equipment are also important, together with suitably trained firefighters. The capital and operating costs of efficient, full-time fire brigades in urban centres are very high, frequently accounting for as much as one-quarter of entire local budgets. Fire protection for St. John's which, like police protection is provided by the Province, is estimated to cost approximately $2.7 million in 1974-75. The cost in 1972 of 625 g.p.m. pumper trucks was in the vicinity of $25,000, while smaller pumping units could not be obtained for much less than $12,000. Portable pumping units, on the other hand, would run as high as $2,000. In a previous section of this chapter it was noted that the provision of fire hydrant systems has significant cost implications with respect to the installation of local water services. High density communities require hydrants, fire alarm systems, a trained fire brigade and equipment available within a few minutes of fire discovery. Low density communities cannot usually obtain such rapid protective service; they must depend on in-house extinguishers and pumper trucks that make use of natural water bodies. Residents of rural communities and unincorporated areas often are forced to depend upon much less efficient portable pumps and bucket brigades; they must await the arrival of larger, more efficient equipment and manpower from distant centres.

The Community Services Standards Survey indicates that, as with other major local services, our larger sized centres achieve higher fire protection standards than the smaller units. In this instance, however, the sole indicator used in the service comparison is the number of appliances (pieces of equipment) available. Whatever the shortcomings of this measure may be when used in isolation, the survey reveals that not less than 80 of the 199 communities surveyed lacked even a single piece of firefighting equipment. This condition implies that undue reliance is being placed on the available equipment in distant centres, requiring excessive time intervals between fire discovery and equipment arrival. Average reported distance to nearest equipment locations (7.0 miles) is lowest in the 18 Labrador and

Central Newfoundland regions; it attains average levels in 102 communities of the Avalon, Burin and Bonavista regions (6 miles). Above average distances are reported in the 13 units on the Northern Peninsula (9 miles), the 43 units in the Notre Dame-Green Bay and Humber regions (10 miles), and the 23 units in the South Coast and Bay St. George's regions (11 miles).

Some idea of the problems and hazards confronting 30 smaller isolated centres may be obtained, however, from the following table:

Table 5-9: Extreme Fire Protection Distance, Selected Newfoundland Communities, 1972

Houses	Centre	Region	Mileage	Equipment Available
254	Cape St. George, etc.	Bay St. George	38	2
331	Pouch Cove	Avalon	18	19
216	Roddickton	Northern Peninsula	11	1
247	Milltown, etc.	South Coast	20	1
260	Triton, etc.	N.D.-Green Bay	15	1
400	St. Jacques, etc.	South Coast	40	1
143	Lourdes	Bay St. George	35	2
198	Bay de Verde	Avalon	20	P
215	Carmanville	N.D.-Green Bay	20	1
148	Port aux Choix	Northern Peninsula	15	P
152	Sunnyside	Avalon	12	1
191	Rose Blanche, etc.	South Coast	30	1
160	Cox's Cove	Humber Valley	30	6
220	Port Blandford	Bonavista Bay	20	2
175	Garnish	Burin Peninsula	15	1
140	Fleur de Lys	N.D.-Green Bay	17	1
110	King's Point	N.D.-Green Bay	13	1
110	Rushoon	Burin Peninsula	20	1
133	Lamaline	Burin Peninsula	30	1
138	Hermitage	South Coast	30	1
115	Trinity	Bonavista Bay	21	1
90	Conche	Northern Peninsula	22	1
107	Main Brook	Northern Peninsula	41	1
201	Bay Bulls	Avalon	19	19
157	Horwood	N.D.-Green Bay	44	2
167	Green's Harbour	Trinity-Bonavista Bay	23	2
117	McIvers	Humber Valley	20	7
120	Lark Harbour	Humber Valley	36	7
136	Musgravetown	Trinity-Bonavista Bay	23	2
95	Birchy Bay	N.D.-Green Bay	20	3

It will be noted that in sixteen of the thirty cases reporting, only a single piece of fire equipment was available at a distant centre. Rendering assistance in these instances itself constitutes a hazard to the sending community; and in the case of Bay de Verde and Port aux Choix, for example, the only available municipal fire equipment at a distant centre in 1972 was a small, portable pump. It has recently been estimated by officials that Newfoundland's local firefighting services could be up-graded to an adequate equipment standard with an estimated capital outlay of $2.4 million. Again, we emphasize that this estimate relates only to capital as distinct from operating costs; it does not take into account future service development requirements; and it is based on then current (1972) cost levels. Fire protection standards in the non-equipment sectors are more directly a function of local management activities. Due to continued provincial efforts to improve municipal fire protective services generally, some of the deficiencies noted above have since been remedied. But a great many smaller Newfoundland communities remain in an extremely hazardous condition. The prevailing fire dangers in the Labrador coastal communities, for example, are always at or near crisis levels.

The topic associated with fire protection services most frequently discussed at the public hearings was that of joint firefighting efforts among municipalities. Both the smaller communities with no equipment and the larger places who shared their equipment were satisfied with their informal co-operative efforts, although, in a few cases, there were difficulties encountered in working out suitable cost-sharing details. Many larger centres have simply been unable to secure *any* contributions from outlying settlements relying upon them for fire protection. The other issue that was most often mentioned was the lack of training available for volunteer brigades. Two different but not necessarily opposing suggestions were made. The first was that a mobile training facility should be established to visit municipalities; the second was that there should be a core of trained, paid men on duty, even if that core consisted of only a single man. One professional fire fighters association recommended that no municipal fire service should be restructured without the approval of the provincial Fire Commissioner, and that proper liaison should always exist between firemen and their council employers. (In this case it was alleged that the required co-operation in such matters did not exist.)

The Commission has reached the conclusion that an effective general municipal fire protection service in Newfoundland is currently non-existent, and is, moreover, *generally* not possible under the present organization of local government. As with some other service sectors, a more integrated regional system of service delivery would clearly yield better standards at lower costs. *Instances have been recorded where substantial provincial capital assistance was provided for expensive fire trucks and other equipment in groups of communities where the individual municipalities are located very close to one another: Placentia, Dunville and Freshwater, for instance, where prior to 1968 all fire services were provided by Placentia. In one striking case a new, very small municipality was established with its boundary less than a mile from another established medium-sized town which had very adequate firefighting equipment. The Commission was informed that the former unit was offered assistance in an amount equal to one-half the cost of a $25,000 fire truck, but was refused an annual $3,000 grant towards the cost of paying the latter town for its fire protection services.* Although departmental officials have doubtless done their best to minimize such duplication, there are in fact many instances where it exists. Indeed, it can hardly be avoided in administrative practice unless there are established criteria based upon adequate investigations of regional service needs and the designation of minimum requirements. So far as the Commission can determine, no such policy framework exists. Several years ago five trucks were purchased as Emergency Measures equipment under a tri-level agreement (40% federal, 35% provincial, and 25% municipal). Formal agreements were then signed providing that the units would revert to municipal ownership after ten years, and that they would be available to all communities in the regions surrounding the receiving municipalities. *The Commission has been informed that no such agreements are now signed, and that when provincial assistance is provided on behalf of local equipment purchases there is only an "informal understanding" that the trucks should serve a region.*

In many cases, the residents of municipalities with adequate basic fire equipment cannot achieve reductions in their insurance premium costs, due to "low pressure" failures of their water systems. When investigating one complaint in this connection made by a small linear community of 110 families, the Commission was told that it had a 6" pipe water system since 1947, two portable pumps, a truck, two hydrants and a volunteer brigade. Yet, its leaders claimed, the Canadian Underwriters' Association had refused a request for reduced premium rates. Upon inquiry, it was found that an option had in fact been provided: either the community had to have a 300 gallon standard fire truck or a system such as it has. But that system had to be upgraded — two hydrants for a community of that length were not enough, and the "truck" which doubled as an "ambulance", did not meet the required standard.

It is the Commission's recommendation that when regional municipal authorities are established, the regional council should be assigned a coordinating role in regard to fire services. Municipalities within each region should in many instances continue their responsibility in this vital service area, subject to the regional standards adopted by the council, and subject as well to explicit pooling, training and mutual assistance procedures. A more equitable and unambiguous system of contributions toward fire protection costs should also be introduced. Since many areas will be without regional municipal authorities for some time, however, interim measures should be considered immediately. *First, there is pressing need for a systematic study of community fire service requirements and the formulation of adequate regional programmes which should be implemented if possible before regional municipal authorities are in fact established.*

The Fisher-Warren study has shown, for example, that a great many of the schools in Newfoundland are fire hazards. Consider the following comments from that report:

> "Some of the findings are alarming to say the least. 515 schools, or 61.2%, report that, to their knowledge, they have never had a fire inspection. 327 schools, or 38.8%, report having had a fire inspection at some time, with 318 schools, or 37.8%, reporting an inspection within the last one or two years. Principals, reporting upon 884 schools, claim that 618 buildings have no separate fire alarm system while 266 do have this equipment. In the opinion of principals, 518 schools are considered to have sufficient fire exits while 360 schools are not. 545 schools are reported to have no panic hardware on exterior doors while 332 schools report that all or some of the exterior doors are so equipped. Principals reported upon 829 schools relative to the number of fire extinguishers available . . . No fire extinguishers were reported in 357 schools . . . Truly these statistics are frightening when one considers . . . that 443

> schools within the Province have a wooden interior construction and 319 are claimed to have windows which are inoperable . . ."
>
> (R. D. Fisher and P. J. Warren,
> *Schools in Newfoundland & Labrador:*
> *A Survey of Existing Facilities*, St. John's,
> January 1, 1972, pp. 42-43)

The Commission notes the development of a recent training programme for municipal fire chiefs and other personnel sponsored jointly by the government, the College of Fisheries, Marine Engineering and Electronics, the St. John's Fire Department, the Fire Commissioner, the federal Ministry of Transport and the Fire Chiefs' Association. This programme is of central importance and ought to be developed even further. *But greater, more systematic and sustained training efforts are urgently required as well at the regional and local levels. Finally, an entirely new provincial and municipal policy framework in this vital protective service sector is mandatory.*

(c) *Solid Waste Collection and Disposal*

In a consumption or "throw-away" society, the collection and disposal of solid wastes requires increasing attention. Newfoundland's service deficiencies in this sector are widespread. In the St. John's area, for example, the *Urban Region Study's* volume outlining the Municipal Services Plan, describes prevailing conditions (p. 49) in the following words:

> "The collection of solid wastes within the City of St. John's is an organized operation done regularly twice a week using vehicles designated for the purpose. Outside the urban areas, however, wastes are picked up by local contractors frequently in open trucks and sometimes not on a very regular basis. (A common service fee now charged is $48 per annum.)
>
> The general pattern is to collect and dump supposedly for burial; sometimes burning occurs by design and sometimes by accident. . . Apart from collections of the kind described, dumping is also done by individuals and business firms directly at these locations . . . there are no incinerators or shredders or compactors of any kind in the area, the method used is termed sanitary land fill, but the method is more honoured in the breach than in the observance. There have been public complaints of one kind and another in connection with all of these dumps."

These conditions, or other equally unsatisfactory arrangements both technically and economically, are common throughout Newfoundland. The Commission has reached the conclusion that it is difficult and expensive for municipal units to achieve acceptable minimum standards with respect to this essential service. The reason for this belief stems from an obvious lack of suitable land-fill in disposal areas reasonably close to many population centres, and from the small-scale, inefficient operations of councils or private contractors. Traditional attitudes and behaviour of the general public in this area, moreover, often create a difficulty. It seems apparent, therefore, that garbage disposal in a satisfactory, non-polluting manner requires both a heightened public sensitivity and the use of very expensive equipment in suitable locations which either destroys or reduces waste to disposable proportions. Efficiently operated controlled air incinerators may be the technical answer, but the delivered cost of this kind of equipment may easily approximate $40,000 per unit. High supervisory and operating costs must naturally be assumed if adequate reduction and disposal standards are to be achieved.

The entrance to or exit from many Newfoundland communities usually offers an intimate view of the municipal dump. The Commission does not consider that local management practices should be unduly solicitous in regard to the aesthetic sensibility of visitors. Yet it feels compelled to point out that a vista of wind-blown plastic waste and upturned automobile derelicts is sadly at odds with the Province's glossy tourist promotions depicting the "absolute environment" of the outport.

The Community Services Standards Survey indicates a wide distribution of unsatisfactory conditions in relation to this municipal service. In many cases excessive distances separate the communities from their disposal sites. Unlike the other services dealt with in this report, moreover, there are major deficiencies reported in many, if not most, of the larger centres: e.g., St. John's, Grand Falls, Grand Bank, St. Anthony, Deer Lake, Burin, Wabana and Placentia. The Commission encountered one striking instance in the Bonavista Bay region where a small community had been without a disposal site for nearly three years. A suitable area was located some time previously but the local council had been unable to secure provincial funds for a road needed for its development, nor had alternative methods of securing the road been considered. Neither had the municipality really attempted to gain access to the disposal sites of adjacent communities, one of which was using a large incinerator. Curiously, however, the results of the survey suggest that very few municipalities — in fact only 27 out of 199 — consider that they really have a garbage disposal problem. Neither the scope nor the intensity of service demand in this sector is apparently very high. Garbage disposal methods are reported as follows: land fills, 37; incinerators, 42; open dumps, 75; "tipping into the sea", one; no disposal, 29; and not known, 15. Some 26 communities reported garbage disposal distances of between 5-9 miles; four reported disposal distances between 10-14 miles (Cupids, Petty Harbour, Halfway Point, Upper Island Cove); and two used disposal sites more than 15 miles distant (Southern Harbour and Bay Roberts). Fully 19 of these 32 communities were located on the Avalon Peninsula. For all surveyed units, finally, the proportion of council garbage collection operations to collection by contract was in the order of 9:5.

The largest group of those making representations to the Commission on this issue reported no problems in regard to their land fill systems or incinerators. Most of them used the land fill method of waste disposal. The major problem mentioned was the delay in getting sites approved by the Environment Management officials and the lack of co-ordination among the various provincial departments involved. Only once was a solution proposed, and in that case, the representative agreed with the suggestion that policy requirements be set out in advance so that councils could take them into consideration when considering or proposing a site. Another problem sometimes raised was the difficulty encountered in financing garbage disposal arrangements, either in whole or in part.

The *beginnings* of an effective policy framework for municipal solid waste disposal services is found in the new waste materials disposal legislation. But standards are very low in this service sector generally, and a much greater purely municipal effort is needed. Unfortunately, there are often limited opportunities for improvement in this service given local attitudes and priorities, the absence of required standards and the lack of regional organization required for efficient waste disposal. *Some residents adjacent to St. John's, moreover, are required to pay twice as much annually for garbage disposal through private contractors as the residents of some local government communities pay in total municipal service fees annually. Inefficiency and inadequacy, in short, are everywhere apparent. It is the Commission's conclusion that this situation will remain in its present unsatisfactory state until firm policy guidelines are established and the organizational means for implementing them are effectively introduced. These objectives can only be achieved in the context of regional municipal government, particularly in the case of waste disposal. Collection arrangements and facilities, on the other hand, can in many instances be effectively organized even in the smaller communities.*

(d) *Snow Removal*

Because of the vagaries of provincial climate, this essential winter service produces recurring difficulty. Unexpected and substantial variation in annual snowfall amounts are not uncommon. Western, Northern Peninsula and Labrador communities generally have to contend with heavy volumes. At Corner Brook, for instance, snow volume approximating 200 inches for the 1972-73 season was recorded. Officials in that city estimate their annual removal cost to be in excess of $1,000 per inch. Total seasonal snow volume on the Avalon Peninsula, by way of contrast, is much lighter.

Snow removal standards relating to both speed and ease of disposal depend in large measure upon road design, lay-out and construction, residential density levels, and the availability of suitable equipment. This equipment may often serve a dual purpose, yet the Commission has encountered many cases where municipal units are too small to purchase the most versatile and economic units capable of being converted from road maintenance to snow removal uses. Abnormally high and unanticipated snowfalls have in recent years begun to dislocate many local budgets even in some of the larger municipalities. In some instances it was alleged that the incorporation of a community immediately lowered the standard of snow clearing service, since the municipal operations generally tend to be inferior to the provincial services formerly provided. *It is anticipated that the proposed regional authorities could play a central role in snow clearing operations particularly in the smaller incorporated units and in the rural service districts. Until the regional authorities can be established, however, a better co-ordination of provincial and local snow clearing operations is required.* (Existing provincial policy in this area is specified in Chapter 14.)

4. Recreation and Community Services

These activities constitute the social services sector of municipal affairs. Taken together, they stimulate participation in and enjoyment of athletics, spectator sports, and recreational or cultural pursuits. Much cultural and recreational activity in Newfoundland is sponsored by schools, institutions, the Province, and many private, voluntary associations. But in recent years municipalities, either directly or indirectly through their appointed local commissions (recreation or athletic), have been developing services in this sector. It was estimated in 1973 that more than 205 of these municipally related bodies were in existence in Newfoundland. In an era of increased leisure time there are growing demands for these local programmes together with the essential indoor and outdoor facilities that foster their development. Service levels and standards depend upon the availability of resources, trained personnel, equipment, public interest and various kinds of physical structures which should be well designed, properly constructed and adequately maintained.

With respect to some recreational activities Newfoundland lags far behind the average national level. There are, for example, only five golf courses, barely a dozen bowling alleys, and perhaps 10 curling rinks operating in the Province. There are ski facilities in only four areas. Activity in these fields is therefore extremely limited; it is confined almost exclusively to the larger urban centres. In a province-wide survey of 215 major communities conducted in 1973 (exclusive of St. John's and Labrador), fully 40 units reported no recreational facilities whatsoever. Among this number are found incorporated areas such as Bay de Verde, Belleoram, Buchans (L.I.D.), Duntara, Durrell, Heart's Desire, Hodge's Cove, Melrose, Old Perlican, Port Blandford, Rose Blanche, Victoria and Wareham. At least one-third of the communities surveyed possess only rudimentary facilities, say a community hall and a soccer pitch. For the sample as a whole, the entire inventory of facilities includes 132 playgrounds, 51 soccer fields, 73 soft ball diamonds, eight baseball diamonds, 44 multi-purpose fields, 53 community halls, 19 arenas, 69 outdoor rinks, eight curling clubs, 11 recreation or Youth Centres, 16 tennis courts, 39 swimming pools, seven bowling alleys, three golf courses, two ski lodges, one shooting range, one trailer court and 53 municipal parks. The distribution of these assets is shown in Table 5-10:

Table 5-10: Recreation Facilities in 215 Newfoundland Communities (Exclusive of St. John's and Labrador), 1973

Facility	Avalon Peninsula	Burin Peninsula	South Coast	St. George's Bay	Humber Valley	Central Nfld.	Trinity-Bonavista Bays	Notre Dame-Green Bays	Northern Peninsula	Total
1. Playgrounds	47	13	4	6	18	10	15	9	10	132
2. Soccer	14	19	2	3	3	2	1	6	1	51
3. Softball	38	4	3	2	1	12	1	10	2	73
4. Baseball	-	1	2	1	-	4	-	-	-	8
5. Other fields	7	1	2	7	13	3	7	-	4	44
6. Community Halls	7	3	5	6	7	2	4	9	10	53
7. Arenas	2	-	1	2	2	5	2	4	1	19

8. Rinks	5	4	3	3	11	1	9	23	10	69
9. Curling Rinks	1	1	-	1	1	2	-	2	-	8
10. Recreation										
Centres	5	3	-	2	-	-	-	1	-	11
11. Tennis Courts	5	3	-	2	1	3	1	1	-	
12. Swimming										16
Pools	14	3	2	1	4	4	3	4	4	
13. Bowling										39
Alleys	1	-	1	1	1	1	1	1	-	
14. Golf Courses	-	-	-	1	1	1	-	-	-	7
15. Ski Lodges	-	-	-	1	1	-	-	-	-	3
16. Shooting										2
Ranges	-	-	-	1	-	-	-	-	-	
17. Trailer										1
Court	-	-	-	-	-	-	1	-	-	
18. Municipal										1
Parks	11	3	5	3	9	1	8	9	4	
% of Provincial										53
Population	24.2	5.2	4.7	5.4	8.6	7.7	7.8	9.7	4.4	77.7

It is apparent that communities within the survey areas generally lack the more specialized recreation facilities needed for athletic activities like shooting, skiing, bowling, golf, curling, and tennis. The Trinity-Bonavista and Northern Peninsula regions reported but a single soccer pitch each, while the Central Newfoundland and South Coast regions reported two each. Particularly in the Burin and Central regions there was a decided shortage of community halls and recreation centres. Outdoor skating rinks were most numerous in the Notre Dame-Green Bay, Humber Valley and Northern Peninsula regions, but were almost non-existent in the South Coast, Central and St. George's Bay region. The Northern Peninsula and the South Coast regions had a single arena apiece, while four other regions had two each. The greatest number of arenas is found in the Central (5) and Notre Dame-Green Bay (4) regions. There is also a notable shortage of swimming pools in all regions other than the Avalon. The entire St. George's Bay region reported but a single pool while the South Coast had only two. Municipal parks, finally, were least developed in the Central (1), St. George's Bay and Burin regions (3) and the Northern Peninsula (4).

All 23 representations to the Commission in this service sector reflected the view that recreational facilities in the Province are woefully inadequate. Three areas in particular deserve to be singled out for their lack of facilities: the entire Bonavista Peninsula, and the towns of Trepassey and Happy Valley. Most municipalities considered that the solution to their problems would be for the Province to make major grants available and for communities to share major facilities within a regional framework. More than half of the municipalities that operate stadia had experienced financial difficulties with them; and one representative recommended that a Commission be set up to study the problems of existing stadia and to ensure that new ones are fairly distributed throughout the Province.

It seems apparent that even in the major urban municipalities recreation deficiencies are of prime concern. We cite below an excerpt from the submission of the City of St. John's:

> "There is also a great demand for additional open spaces, sports and recreational facilities and other community services within the City. The City, bearing in mind its revenues and priorities on services, has provided some $870,000 this year in its budget for the operation and maintenance of recreational and community service facilities but only $70,000 for additions and improvements to such facilities. The Provincial Government has, or did have, a recreational policy whereby it would contribute to the development of such facilities. However, generally speaking, the City has been left out of such program almost entirely. The provision of these facilities by the City or any municipality is a necessary element of its duties, but without the financial support of the Provincial or Federal Government or both it is impossible for the City to make adequate provision therefor."
>
> (*City of St. John's Brief*, p. 10)

On April 1, 1971, the government announced a recreation capital grants programme. For some years as well very small non-capital grants on behalf of recreation services have been allocated to most of the larger municipalities. The nature of these support programmes is examined in Chapter 8, below. *As we have seen, this service sector in both its provincial and municipal aspects receives relatively low budgeting priority by national standards, attaining a per-capita expenditure level in 1972 of barely one-half the average attained in all Canadian provinces. (Table 3-5 above). More pressing needs in other basic service areas obviously limit the Newfoundland government's capacity to attain the required allocation levels in recreation. Great care is therefore needed when planning the nature and location of municipal service facilities.* Major capital projects and some non-capital recreation programmes requiring expensive staff resources or equipment could well become one of the functions undertaken by the proposed regional municipal authorities. There is some evidence that present municipal organization, combined with capital assistance projects of general application, have produced an uneven distribution of certain major facilities. There is also some evidence that certain capital projects undertaken with provincial assistance are most unproductive assets from a use standpoint. *The Commission encountered one instance where an outdoor, unheated swimming pool could be used for only 30 days of the year.* In other communities there is an under-utilization of school recreational facilities, due to the unwillingness of school boards to risk property damage. *Improved access to and supervision of the use of these facilities is generally required.* Recreation is one area where substantial local support from service and voluntary groups is an essential precondition of provincial support. In many cases this support for local projects has been supplied; in others, civic initiative and support has been at low levels. In the latter instances, municipal capacity to supply needed services remains limited.

5. Managerial Services

The management of municipal activities is entrusted to local councils who, together with their appointed officials and subject to the supervision of the government, are responsible to their fellow citizens for making the needed local decisions and allocating scarce public resources. This responsibility is exercised in a procedural framework established by various statutes; it brings together elected or appointed local laymen as temporary leaders and their appointed, permanent administrative officials and staffs. The decision-making and implementation processes that characterize this system contain a number of key functions, of which the most important are planning, organizing, directing and controlling or evaluating.

For towns, rural districts and local improvement districts *The Local Government Act* provides that municipal councils are empowered to enact bye-laws, resolutions and regulations respecting the following matters:

(1) Fire fighting and Prevention (ss. 34-42)
(2) Control of Building, Zoning, Sanitation and Water Supply (ss. 60-61)
(3) Streets, Roads and Bridges (ss. 62-65)
(4) Water and Sewerage Systems (ss. 66-69)
(5) Local Regulations (s. 99)
(6) Public Libraries (s. 100)
(7) Acquisition of Utilities (s. 101)
(8) Parks (s. 102)
(9) Housing (s. 103)
(10) Electricity Districution (s. 104)
(11) Street Lighting (s. 104)
(12) Airports (s. 105)
(13) Bus Service Franchise (s. 106)
(14) Operation of Cold Storage Plants (s. 107)
(15) Cemeteries (ss. 108-109)
(16) Subdivision of Property (ss. 111-118)

In order that they may undertake these activities, councils and boards of trustees are authorized to make decisions concerning the following matters:

(1) election of mayor and deputy mayor (s. 20)
(2) regulation of council proceedings (s. 23)
(3) appointment of municipal officials
    (a) town clerk (s. 27)
    (b) town manager (s. 29)
    (c) municipal assessors (s. 30)
    (d) municipal collector (s. 30)
    (e) municipal engineer (s. 30)
    (f) superintendent of works (s. 30)
    (g) inspector of buildings (s. 30)
    (h) fire chief (s. 30)
    (i) municipal treasurer (s. 30
    (j) municipal solicitor (s. 30)
    (k) other municipal employees (s. 27:5)
(4) municipal police (ss. 32-33)
(5) employee pension schemes (s. 43)
(6) preparation and submission of annual budget (ss. 46-49)
(7) financial deposit procedure (ss. 44-45)
(8) employee bonding requirements (s. 27: 6-10)
(9) audit procedure and requirements (s. 51)
(10) borrowing powers (ss. 52-55)

(11) expenditure powers (s. 56)
(12) taxation powers (ss. 70-98)
(13) expropriation powers (ss. 128-145)
(14) power to enter into agreement (s. 124)

Similar powers are assigned in the other constituent municipal statutes such as *The City of St. John's Act, The City of Corner Brook Act* and *The Community Councils Act*. Other statutes such as *The Assessment Act, The Urban and Rural Planning Act* and *The Housing Act* similarly assign supervised decision-making authority to local governments. The technical nature, scope and present adequacy of these managerial powers, procedures and supervisory arrangements are subjects dealt with extensively in Part IV of this report (Chapters 10-13, below). In those chapters attention is directed to the organizational, directing and control features of all major local policy and management activities. As a conclusion to this chapter, the Commission deals exclusively with the municipal planning function (to which brief reference was made in Section 1, above) and with the power of municipalities to enact local regulations.

(a) *The Planning Framework*

Planning in relation to Newfoundland's municipal development begins in 1830, when an Act of George IV was passed to regulate the rebuilding of the City of St. John's after major fires in 1810 and 1820. The structure of city government varied considerably for the next century, particularly between 1888 and 1921, when the City alternated between elective and appointive systems of government. This situation was eventually settled by the passage of *The Municipal Act* of 1921, which established the basic structure that has existed to the present. The latter statute provided for the establishment of a Commission on Town Planning, but that provision was not acted upon. In 1927, following a recommendation of the Dalzell Report, the commission was finally established.

Between 1942 and 1944, a commission of inquiry investigated housing and town planning in St. John's. One of its recommendations was that a master plan, the City Improvement Scheme, be adopted for the city centre. In his report of 1946, Prof. J. Bland of McGill University later recommended a master zoning plan. But the more immediate roots of the present system of municipal planning date from 1951, when *The Local Planning Act* was passed by the legislature. In 1952, the City and the Province established a joint planning office; and, finally, in *1953*, an *Urban and Rural Planning Act* was enacted following the Bland-Spence-Sales Report. The provisions of this legislation were consolidated in 1965 and a number of important amendments were introduced in 1969.

The statutory provisions governing municipal planning in all areas outside the capital city are set out under the following heads:

(1) The preparation, approval, adoption, amendment and periodic review of local plans within single municipalities or designated local planning areas;
(2) Joint (intermunicipal) planning arrangements;
(3) Local area planning in respect of locations outside municipal or joint municipal planning areas;

(4) Regional Planning;
(5) Protected areas for the preservation of natural beauty or amenity;
(6) Designation of any highway, road or way for the purpose of controlling development;
(7) Planning regulations;
(8) Expropriation and Compensation;
(9) Miscellaneous provisions.

Under Section 60 of *The Local Government Act,* councils are empowered to enact zoning regulations. Sections 111-118 of the same statute authorize local controls respecting property subdivision. Section 108 of *The City of St. John's Act* provides for a Commission on Town Planning for the capital city. This nine-person body is appointed by the Lieutenant-Governor in Council, not by the city council. Its duties are to advise the council on planning and development requirements. Subsection (2) of the statute *requires* ("it shall be the duty of the Commission . . .") it to prepare an "official plan" for the city. This St. John's Planning Commission has not really functioned in accordance with the statute; it is a lay body with no assigned technical staff and although it has existed since 1927, St. John's does not have an *adopted* city plan. In practice, it has advised city council from time to time on planning and development proposals originating with city planning officials, provincial authorities or local interests. It is no exaggeration to suggest that planning standards generally in St. John's have been below the levels achieved in all other Canadian metropolitan centres. A new plan, however, now awaits approval. Planning outside of the city but within its urban region, on the other hand, has until recently either been completely absent or undertaken in a piecemeal fashion. These deficiencies have recently been rectified in a substantial measure as a result of the *St. John's Urban Region Study* and the preparation of the *Community Plan (Plan 91)* for the city proper. Corner Brook, on the other hand, has had a city plan since 1962; its municipal plan was revised in 1970.

The basic principle embodied in legislation relating to planning in all municipalities outside St. John's is that municipal councils, with the assistance of provincial officials and subject to the approval of the Minister, are assigned the power to formulate, adopt, review and amend their community plans. Unlike the practice in some other provinces, there is no provision for appointed local planning commissions. Lawful implementation of approved plans is in the hands of the councils and their officials. The specific procedures to be followed in connection with plan preparation, adoption, review and amendment are detailed in the relevant statutes and will not be summarized here in any detail.

Formally speaking, Newfoundland's procedures in this service area require a good deal of ministerial review and a strong provincial presence in both local planning activity and its implementation. Outside of municipal boundaries, sometimes in the initial and even later stages of incorporation, and in all joint or regional planning and development control structures which are established, the Province is the primary policy-making, supervisory and implementing agency. Apart from two or three professional planners on city staffs, all publicly employed technical planning expertise is concentrated in the Provincial Planning Office, a division of the Department of Municipal Affairs and Housing. Some resource personnel in this area, of course, are found in local private engineering or consulting firms, but their services are available to municipalities only at the prevailing high consultancy rates. The department, however, commissions planning studies on behalf of municipalities that may exceed the value of $100,000 annually.

Procedures currently in use require a form of public presentation and review in respect of plan adoption and amendment. Appeals from official decisions taken as a consequence of implementing municipally approved plans, can be taken to a Provincial Planning Appeal Board which has recently been reorganized and now operates as three regional panels within the Province instead of as a single province-wide agency. Under certain circumstances, the decisions of municipal councils or their staffs, and rulings of the department or the provincial appeal board may become the subject of judicial review in the Supreme Court of Newfoundland. Although by recent amendment of *The Local Government Act* municipalities were authorized to establish their own zoning appeal boards, the Commission has been informed that this power is now considered to be *ultra vires* and, in consequence, no local zoning appeal bodies have functioned. All appeals arising from local zoning bye-law decisions are processed, therefore, by the provincial board. Taken as a whole, no other Canadian province has developed or used such a centralized community planning and control system. All provincial systems do provide, however, for some degree of central direction and supervision in respect of local planning and its various dimensions of implementation.

It is clear from the findings of the Community Service Standards Survey that community planning processes are not widely developed in Newfoundland. By 1972, for instance, less than one-third of all 199 municipalities in the survey had introduced development control regulations within their boundaries, while just over one-third had their municipal plans either completed or in preparation. But only 32 (44%) of these plans had actually been approved by the Minister, and there were only 16 local authorities with protected road controls in effect. The Commission was informed that it took nearly seven years before the zoning regulations in Labrador City were were finally introduced. In many communities not having these regulations, building permits are issued without requiring plans from applicants and with little actual inspection. There were in early 1973 only three joint planning areas in operation. Four regional plans had been prepared but only one had been adopted (Burin Peninsula). These regional plans merely provide a framework for a number of local municipal plans; they have not been developed as a consequence of regional planning in the sense in which it is used later in this section.

Throughout the Commission's public hearings, in the matter of the present planning arrangements in Newfoundland, three points were reiterated. First, planning was effectively too late if it was not begun immediately a community was incorporated. Regional planning was often mentioned, in passing and in this context, as being a method which might mitigate the effects of current bottlenecks, and acute staff shortages in St. John's. Second, the delays inherent in various stages of the planning process were universally a source of much concern. Three concrete suggestions were made to alleviate some features of the overall problem:

(1) a council should be authorized to make minor adjustments in its plan once it had been adopted;

(2) the definition of a planner should be modified so that a wider range of local resource people could be employed to assist municipalities in revising their plans; and

(3) notices for public hearings on any planning (zoning and/or expropriation) proceeding should be published more widely and more frequently, and should contain a map (as well as a technical description) of the area involved. Technical descriptions are themselves essential; but for communicating planning proposals and their consequences to the general public they are next to useless.

Third, municipalities have also experienced difficulty when their own regulations come into conflict with the provincial development control regulations. Only two representations considered that existing planning arrangements were adequate, and there was only one municipality that had had no experience whatever in any planning, zoning or regulatory activity. There were a considerable number of specific problems and complaints raised, but they were so local in nature that the Commission is unable to refer to them in a Report of this nature.

Among the items which suggest problems of general application, however, are the following. First, it was stated that, at the time of the public hearing in Fortune, there then was no representative on the provincial regional planning appeal board from the Burin Peninsula; it was felt by one large urban municipality that *all* planning and zoning appeals should be heard and disposed of by panels composed of local citizens. Second, it was held by one representative that there was a totally inadequate planning preparation for the towns designated as the receiving communities under the resettlement programme. Third, a town incorporated for some years complained that its decisions in issuing permits for building in a certain area favourable for residential development had been repeatedly countermanded by the Provincial Planning Office. In this latter instance the Commission assumed that the locations in question were within town boundaries; but it could not be certain on this point. Town officials did not appear to know whether the town was under local area planning arrangements used normally by the department as an interim device to obtain basic development control in new or previously unincorporated units. Lastly, there were numerous suggestions that development control regulations administered by the Province in areas external to municipal boundaries were ineffective in achieving the desired ends. These latter issues suggest the dimensions of difficulty produced by poor communication, turnover of councillors and inadequate local administrative staffs.

It is the Commission's conclusion that the planning function in Newfoundland's municipalities, to a significantly greater degree than in any other Canadian province, is in a precarious and unsatisfactory state. There is obviously no single factor causing this condition. Nor is the cause found exclusively in deficiencies of leadership at either the provincial or local levels. The condition, moreover, is general and is not confined to the small, more isolated municipalities. Provincial professional planning staff at the end of 1973 consisted of a director and nine men together with three planning technicians. This staff is quite inadequate in view of the growth of new municipalities, the increased pace of local development activity due to D.R.E.E. and other federal programmes, and the virtual absence of any local planning officers. The underdeveloped fiscal base of Newfoundland's municipal system has precluded the emergence of any real local government financial participation in the planning process. The Commission believes that this deficiency is critical, since it means that the natural tendency of some local leaders to view planning as an alien, imposed framework and requirement is powerfully reinforced. The absence of an incentive in this respect is illustrated by the fact that the Province has never imposed any planning requirement as a precondition for authorizing local water and sewer systems. One submission to the Commission puts this view with laconic clarity: "A municipal plan has been requested from the Provincial Government." On the other hand, it is necessary to emphasize that many local leaders do understand the planning rationale and certainly do appreciate the technical assistance given by various provincial officials in relation to pressing local problems.

The development control function, exercised exclusively by the Province outside of incorporated municipalities, presents a different range of problems. With the growth of road paving, an increasing proportion of the 130,000 persons residing in 552 unincorporated communities is subject to these controls, which seek to prohibit building in unauthorized locations on some 24 protected roads. The administration of development control and protected area regulations late in 1973 was in the charge of a director and *three* assistants, one each of whom was located in Grand Falls and Corner Brook. In 1972 approximately 80 violations were reported, of which 15 went to the magistrate. Fines imposed averaged $25 per violation, or one-half the maximum amount prescribed by the statute. Frequently there was no magisterial order requiring removal or demolition of the house, either wholly or partly constructed unlawfully, and the department has never had funds for such a purpose. *Because of its enforcement role, the Development Control Division becomes involved with the Crown Lands Division in allocating building lots and assisting in the development of unincorporated communities. There is, therefore, neither an adequate legislative framework nor a suitable fiscal base for these administrative by-products of the policing function. It is obvious that this arrangement is totally unsatisfactory.*

The Commission is under no illusions concerning the ease of dealing with the deficiencies and problems identified in this planning sector. Indeed, the community planning process is accompanied by conflict and uncertainty in all jurisdictions, even where there is broad understanding of its nature, procedures and benefits, and where technical resource limitations are less severe than they are in Newfoundland. *Two long-term objectives, however, may be specified immediately. First, there must be found some effective incentive to involve local councillors and their officials to a much greater extent than exists at present in the provision of planning services.*

(One town manager of a municipality with a current budget in excess of $500,000, for example, was considerably exercised because authorization to develop a town picnic site was made conditional upon a local expenditure of $800 for a grid survey.)

Second, some considerable decentralization of central planning services is also required. This object can be achieved only gradually in conjunction with the introduction of regional authorities. These two objectives, it is hoped, would be mutually reinforcing. It is recommended that at least in the case of regions with larger populations, a planning officer should be appointed to the regional staff immediately upon the establishment of the authority. Suitably trained planning technicians would serve adequately in the case of smaller regions. The larger municipalities within regions could continue to perform their planning and zoning functions but would do so in a manner consistent with regional standards. Subject to central supervision, however, regional authorities should be delegated a broad functional scope in their service sector and be encouraged to provide assistance to the smaller municipalities and the communities within the local service districts. *It is also probable that planning and zoning appeals could best be dealt with in contiguous groups of regions, rather than in three very large areal units as at present.* Enforcement of the development control regulations would also become a regional responsibility. At the regional level, as well, it is appropriate to establish *technical advisory planning panels* to assist the regional authority councils. These units should be designed in a manner similar to those now used in the British Columbia regional districts. (See Chapter 13, below.)

The advent of a proper system of regional planning in Newfoundland will require substantial amendments to existing legislation in order to secure an effective reciprocal linkage between the provincial planning staff and supervisory functions, on the one hand, and the regional planning and implementation function on the other. *It has been suggested that a reconstituted Provincial Planning Board could best serve in this role. The Commission agrees with that suggestion. Consideration should also be given to the establishment within each region of a regional planning fund toward which all municipalities and local service districts with water and sewerage systems would contribute small amounts annually. The Province should make a formula-based contribution to these funds as well. The funds should in each instance be managed by a joint regional-municipal committee, and their proceeds used to provide special studies or services in connection with local priority needs.*

Because of the criticisms which emerged at the public hearings concerning the procedures now used in plan adoptions, revisions and approvals, the Commission has undertaken a careful review of Sections 10-40 of *The Urban and Rural Planning Act.* These sections provide for the following procedures: (1) planning area definitions; (2) interim development orders; (3) municipal plan preparations; (4) plan adoptions (by councils); (5) appointment of commissioners and public hearings; (6) reports to the Minister; (7) applications (by councils) for plan approvals; (8) ministerial plan approvals; (9) plan amendments, revocations and reviews; and (10) provision for development schemes. The Commission has concluded that these statutory procedures are quite adequate in their general design. It is felt, however, that an additional procedural step is required. Existing procedure requires that plan preparation and approval by council must take place *before* a public hearing conducted by an external commissioner appointed by the Minister. In the Commission's view, this initial phase of a basic planning decision in any municipality is of crucial importance; it ought not to be confined as it now is to the provincial planning officials, the consultants, the council and its immediate staff.

The Commission recommends, therefore, that the formal public hearing conducted by a Commissioner should be retained, but that at least one month prior to approval of a prepared plan by councils, they should be required to publish in a local newspaper on two successive weeks a summary of the plan as prepared; and that at least one week prior to the council meeting when the resolution on plan adoption is to be considered, they should be required to convene a suitably publicized informal general public hearing on the prepared plan to hear comments and objections. This recommended procedural addition should not require a formal submission of objections, which are already provided for in the subsequent public hearing conducted by a Commissioner. The time required for this proposed additional step would not be excessive; it should enable councils to obtain some indication of public reaction to a prepared plan before taking their initial decision respecting its approval; and it should help to promote an awareness among citizens that a municipal plan affecting their collective interest is in process of being adopted, amended, revised or revoked.

The effect of this recommendation is thus to require two public hearings in connection with each council basic decision on its planning framework: the first informal meeting would take place before the decision to approve; the second formal meeting should follow that decision in the same manner as prescribed in the present statute. *In the latter case, however, consideration should be given to having the Minister appoint a board of commissioners to conduct the hearing and make a report, rather than using a single commissioner as is now the case. This recommendation envisages the chairman of the board being an external representative who would be associated with two local appointees in the conduct of the formal hearing and in the submission of a report to the Minister.*

This proposal would not greatly increase the cost to the municipality of the plan adoption process, but would help to dispel the widespread feeling noted earlier that community planning is an alien matter imposed from without.

6. Residual Services

(a) *Municipal Regulations*

Subject to ministerial approval, *The Local Government Act* prescribes thirty-two specific areas in which municipal governments in Newfoundland may exercise authority by regulation. These areas are the following:

(1) solid waste collection and disposal;
(2) numbering of buildings and the naming of streets;
(3) control of privies, cesspools and septic tanks;

(4) control of animals;
(5) control of well construction;
(6) safety of water supplies;
(7) control of ditches, drains and culverts;
(8) abatement of public nuisances;
(9) registration and licencing of plumbers;
(10) control of dogs;
(11) regulation and licencing of restaurants;
(12) regulation of food distribution;
(13) inspection of sanitary conveniences in commercial-industrial establishments;
(14) regulation of the location, height and description of fences;
(15) prevention of injury to local public property (streets, squares, etc.);
(16) control of street reservations and road improvement lines;
(17) removal of obstructions from reserved areas;
(18) prohibition of disorderly driving on roads;
(19) regulation of coasting, sliding, skating on ice or snow;
(20) control of bicycle use;
(21) control of ballast disposal;
(22) regulation of hydro and telephone poles;
(23) regulation and licencing of taxis;
(24) control of signs, signboards, boardings and other outdoor advertising devices;
(25) closing hours of business establishments;
(26) traffic and parking control;
(27) regulation of tourist establishments;
(28) location of cemeteries;
(29) control of vehicles engaged in sale of food or goods;
(30) use of municipal airstrips or airports;
(31) children's curfew;
(32) regulation of other matters designated by the Minister.

Since the Commission received virtually no comment at its public hearings respecting these powers, it assumes that their scope is considered to be generally adequate. We note, however, that although traffic control is included on the list, there is no explicit reference to the regulation of snowmobiles, as there is, say, to bicycles. *It is recommended, therefore, that the power to regulate the use of snowmobiles within municipal boundaries should be added.* Under other sections of the *Act*, local authorities are empowered to regulate land use and building standards. The enforcement of regulations is an exceedingly difficult problem; it was examined in an earlier section of this chapter.

(b) *Housing and Urban Development*

Because it was not required by its terms of reference to do so, the Commission has not studied in depth the areas of housing and urban renewal. There is little doubt, however, that in the next three decades these programme fields will require an increasing attention in all municipalities. Some larger towns, for example, Channel-Port aux Basques, have already executed substantial land assembly and lot delivery programmes with considerable success. Lots were delivered, for instance, for $2,000 per unit in attractive subdivisions. The regional authorities proposed in this report should develop a capability in this sector on behalf of the smaller incorporated communities of Newfoundland and of their hitherto unorganized rural service districts.

For the larger urban centres, services in these vital areas are powerfully influenced by federal and provincial programmes. Amendments to *The National Housing Act* in 1964, for instance, authorized a major federal participation in urban redevelopment schemes by way either of loans or grants. In Chapter 1 of this report, some of the projects undertaken in the St. John's area and in Corner Brook were noted. While it certainly enabled some important projects to be undertaken in the Province, the federal policy framework for urban renewal was very restrictive. Moreover, because of its exceedingly heavy cost, the programme was abruptly halted, at considerable cost to the Province. Its successor, the Neighbourhood Improvement Programme, may be of some benefit in specific locations within the larger centres; but it cannot be described as a policy capable of dealing broadly with housing and urban development needs.

It is clear, finally, that provincial housing policy has some considerable distance to go in developing a provincial-municipal framework of objectives and procedures suitable as a response to emerging needs. The Commission agrees fully with the objectives articulated in the following excerpt from the submission of the City of St. John's:

> "In the field of housing, the concept of the single dwelling is gradually being replaced by the concept of various types of multi-family housing units such as apartments, duplex, tri-plex, and town-houses. Condominium type housing is also favoured by Council, and it is therefore recommended that the legislation enacted relating thereto be proclaimed. It is also the contention of the City that the Federal or Provincial Government or both should sit down with the City and other municipalities and develop a province wide policy on housing which would include the provision of land banks and would provide for the subsidization of building units within a municipality which would be based on the population of that area. The acquisition of land banks would also be subsidized by the different levels of Government."
>
> *(City of St. John's Brief*, pp. 10-11.)

7. Citizen Attitudes Toward Community Services: A Summary

Additional information on present levels of community services and facilities throughout the Province was provided by the attitude survey described in Chapter 4 and Appendix F. Each of more than 1,300 persons interviewed in the survey was asked to give his or her opinion of the adequacy of each of the following ten services in his community (Question 8):

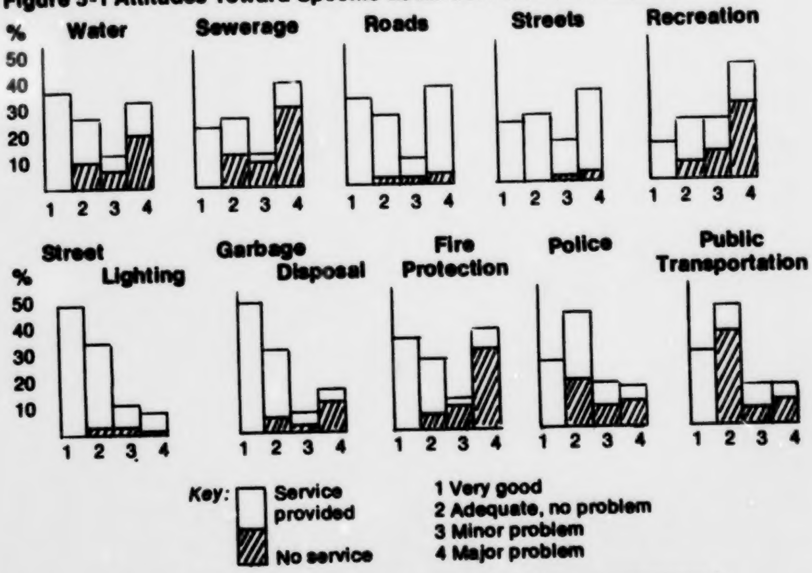
1. The water supply
2. Sewage disposal facilities
3. Roads to town
4. Streets in town
5. Street lighting
6. Garbage disposal service and facilities

7. Fire protection
8. Police services
9. Recreation facilities
10. Public transportation

The first three of these ranked high as "the biggest problem of this town" in a subsequent question (Q. 10), along with unemployment and economic conditions. Most of the others, especially garbage disposal and recreation facilities, also were mentioned by some respondents in that context, but were ranked much lower in overall levels of concern. Some of these services or facilities are, of course, not provided by public authority in many communities, especially the smaller ones. In such cases, interview respondents were asked to state how serious they considered this lack to be.

The overall pattern of responses to this ten-part question is summarized in Table 5-11, while the bar charts in Figure 5-1 provide concise profiles of the province-wide assessment of each service. About half of those interviewed regarded water and sewerage facilities as "very good" or at least "adequate", but another 30 per cent and 40 per cent, respectively, stated that these two areas presented a "major problem" in their community. Approximately one-third also considered the condition of both roads and streets to be a "major problem", balancing the number who viewed these as "very good" or "adequate". 40 per cent felt that the lack of adequate recreation facilities was a "major problem". Thirty-four per cent were similarly concerned about fire protection. The highest levels of satisfaction were expressed for street lighting (78%), garbage disposal service (73%), and public transportation (60%).

Figure 5-1 Attitudes Toward Specific Local Services and Facilities



Source: Question 8 ("Don't know," "no answer" excluded from percentages.)

Table 5-11: Attitudes Toward Community Services and Facilities

Q. 8 *Here are some specific things important to living conditions in a town or community. I'd like to know if these services are provided here, and if you feel each is very good, adequate, or not adequate for the people here.*
(If "no service" or "not adequate", ask: Is this a minor or major problem?)

How would you rate . . .

	Very good service	Adequate, No Problem		Minor Problem		Major Problem		Number of cases (100%)
		S	NS	S	NS	S	NS	
. . . the water supply (5.9), (13.2)	35%	15%	10%	5%	6%	10%	20%	1,376
. . . sewage disposal (4.5)	22	15	11	3	8	10	30	1,368
. . . condition of roads to town (9.9)	29	22	1	9	1	33	3	1,372
. . . condition of streets in town (0.4)	25	26	0	14	1	31	2	1,367
. . . street lighting (0.1)	49	29	4	6	4	5	3	1,377
. . . garbage disposal (3.1)	48	25	5	5	2	4	11	1,376
. . . fire protection (0.1)	32	18	5	3	6	6	28	1,351
. . . police services (0.0)	26	25	17	7	8	5	9	1,335
. . . recreation facilities (3.9)	13	16	6	13	9	13	27	1,341
. . . public transportation (0.4)	27	33	10	9	5	7	7	1,352

Explanatory notes:

(1) Figures in brackets after each service or facility indicate the percentage of all respondents who stated that this was the "biggest problem" in their town in response to the open-ended Question 10.

(2) S - public service provided
NS - no service provided

(3) The number of cases is reduced from the total weighted sample of 1,386 by a small number of "don't know" and "no answer" cases for each service or facility.

In order to determine if these attitudes were well founded in actual conditions faced by residents of the various communities surveyed, the Commission compared the survey responses with information supplied by the Newfoundland Government Planning Task Force, Community Services Standards Committee, in its *Community Services Inventory* completed in February 1973. The results of this comparison are presented in Table 5-12.

Table 5-12: Comparison of Attitudes Toward Community Services with Planning Task Force Data

Attitude Survey Responses	**Comparable Data from Planning Task Force Community Services Inventory***		**Number of Cases****
Q. 8a *Water supply*	*Percentage of Houses in respondent's community connected to piped water*		
	(mean)		
Very good	73%		331
Adequate/no problem	59		210
Minor problem	46		90
Major problem	31		283
Total	54%		914
Q. 8b *Sewage disposal*	*Percentage of houses in respondent's community connected to piped sewer*		
	(mean)		
Very good	67%		243
Adequate/no problem	47		212
Minor problem	18		87
Major problem	19		368
Total	38%		910
Q. 8c *Roads to town*	*Percentage of local roads/streets paved*	*Distance to major centre*	
	(mean)	(mean)	
Very good	65%	25 miles	312
Adequate/no problem	57	32	257
Minor problem	51	43	103
Major problem	29	76	298
Total	50%	44 miles	970
Q. 8d *Streets in town*	*Percentage of local roads/streets paved*		
	(mean)		
Very good	54%		257
Adequate/no problem	56		294
Minor problem	59		138
Major problem	38		281
Total	50%		971

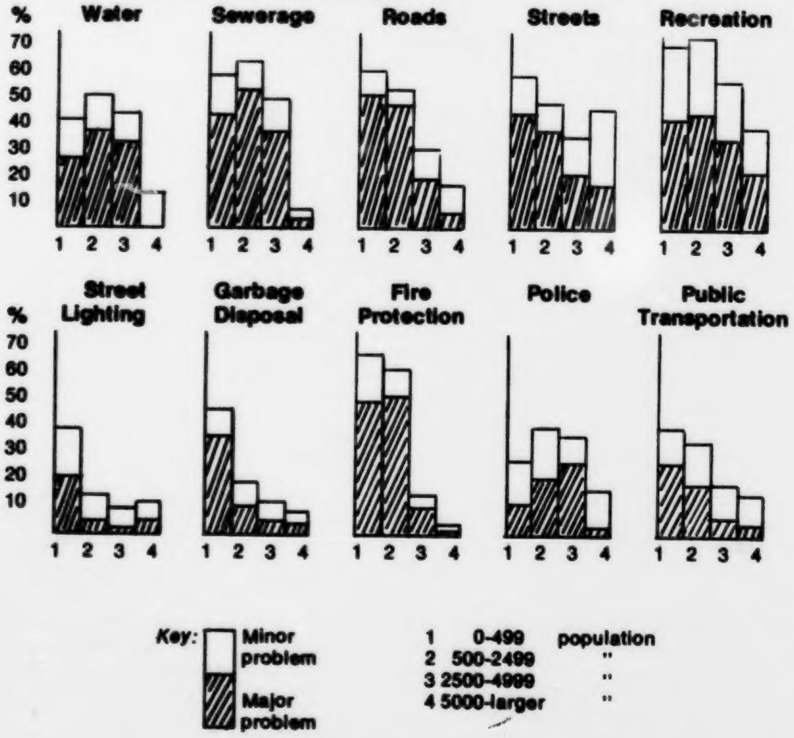
*Newfoundland Government Planning Task Force, Community Services Standards Committee, *Community Inventory* (Provincial Planning Office, February 1973). Task Force data was obtained primarily from local municipal council offices. For this table, Task Force data have been assigned to each Attitude Survey interview according to the respondent's place of residence.

**The number of respondents is reduced from the full weighted sample of 1,386 by the exclusion of those with "don't know" or "no answer" responses, as well as those for which Task Force data were not supplied, primarily in communities smaller than 500.

With respect to water, sewerage, streets, and roads, it is clear that there is a strong tendency for respondents in areas *objectively* lacking services to express greater dissatisfaction than did those in better serviced areas.

Figure 5-2 below breaks down levels of expressed dissatisfaction with various services by community size. Overall, this information provides additional documentation of the service gap between smaller and larger communities in the Province. Towns larger than 5,000, especially, show a markedly lower proportion of respondents asserting that the various services present a major or minor community problem. The major exceptions to this rule are for street conditions and recreation facilities. Such towns as Gander and Stephenville, however, are representative of only 11 per cent of the non-city provincial population. More typical are communities in the two middle population brackets of Figure 5-2, those ranging from 500 to 5,000 in population. Respondents in these places — most of them incorporated municipalities — were more discontented with some services than were those even in smaller unorganized settlements.

Figure 5-2: Variation in Dissatisfaction with Specific Services and Facilities by Population of Community



Source: Question 8 ("Don't know," "no answer" excluded from percentages.)

To bring together the relationship between attitudes on service levels and characteristics of respondents' communities, an overall index of these attitudes was computed from the ten parts of the question discussed above. The higher a respondent's score on this index (ranging from 0 to 41) the greater his composite dissatisfaction with the ten basic services. (Water, sewerage, and roads to town were given double weight in this computation in view of the greater stress these received in the question on the "biggest problem.") Respondents from different types of community divided up on this summary index as follows:

Population of Community	**Index of Dissatisfaction Ten Community Services** (mean score)	**Number**
5,000 - larger	8.5	133
2,499 - 4,999	12.5	276
500 - 2,499	17.2	458
0 - 499	18.1	380
Municipal Status of Community		
Town Council/Rural District	13.1	638
Community Council	16.7	281
Local Improvement District	17.8	151
Unincorporated	20.1	177
TOTAL	15.5	1,247

The overall tendency is thus toward greater dissatisfaction in smaller and less municipally advanced communities.

Survey respondents were asked a related question on their views toward three important kinds of regulations and controls associated with municipal government, namely those dealing with buildings, dogs and other animals at large, and garbage and waste disposal. Respondents were given the option of expressing satisfaction with these as they were, or alternatively of calling for more regulations, better enforcement of existing regulations, or fewer regulations. Overall results to this three-part question are presented in Table 5-13.

It is evident, first, that there is little indication here to suggest that Newfoundlanders feel "over-regulated" by local authorities. Only with regard to building regulations did as many as seven per cent indicate a desire for "fewer" regulations. About two-thirds of our sample stated that both building and garbage disposal regulations were satisfactory as they are, with most of the remainder calling for more regulations or better enforcement. There was little overall variation in this pattern for *building regulations*. However, the need for more *garbage disposal controls* was expressed far more frequently in small communities (below 500) than elsewhere, and respondents within unorganized places were three times as likely to ask for more garbage regulations (65% did so) than those from municipal areas. In general, *dog and animal controls* appear to be of greater concern than other kinds of regulations: 70 per cent of our sample wanted more regulations or better enforcement in this area, a trend which declined only slightly in the smallest communities.

Table 5-13: Attitudes Toward Local Regulations

Q. 9 *Many places have regulations on such things as buildings, animals, and garbage disposal. As far as you are concerned, is there any problem with such regulations around here, or is the situation satisfactory as is? Should there be more regulations, fewer regulations, or better enforcement of existing regulations for each of the following?*

	Need more regulations	**Need better enforcement**	**Need fewer regulations**	**Situation satisfactory**	**Number of cases* (100%)**
Building regulations	17%	12%	7%	64%	1,167
Dogs and other animals at large	49	21	1	29	1,338
Garbage disposal	25	8	0	67	1,330

*The number of cases is reduced from the total weighted sample of 1,386 by the exclusion of "don't know" and "no answer" cases. "Don't knows" totalled 15% of all responses for building regulations, and 3% each for the other two kinds of regulations.

8. General Conclusion and Summary

The development of Newfoundland's municipal services during the past three decades has been a notable achievement. More than three-quarters of the Province's population has now gained some experience in confronting the hard practicalities of local self-government under the most stringent conditions in Canada imposed by distance, small average community size, isolation, and an always uncertain, inevitably meagre economic resource base. That the level of municipal services is low by the standards prevailing in other Canadian provinces is not surprising; that local service demands and expectations are high is also understandable. Public needs, after all, are substantially greater in Newfoundland than in any other province. It is apparent too that there exists considerable variation in these needs across the Province. Most of the municipal services only recently, and in some cases only now, being provided have been taken for granted elsewhere for more than half a century. To a greater extent than in most jurisdictions, therefore, general public attitudes in Newfoundland's municipal life, as well as the primary concerns of its political leaders and their officials, tend to be "output" rather than "input" oriented, that is to say, more heavily weighted toward the service delivery aspect of local government. Invariably, they manifest a strong preoccupation with the technical and fiscal challenges of attempting to meet the most basic needs of communities, on as broad a front as possible, and as quickly as may be practicable.

On various occasions in this chapter, official estimates of the capital investment needed to provide an adequate province-wide level of municipal services were given. Depending upon the standards to be achieved, these capital estimates for water and sewerage services, road paving, fire equipment and solid waste disposal facilities amount to between $238.3 and $275.5 million when projected in terms of 1972 price levels. Even when due allowance is made for subsequent inflationary effects, these requirements in the aggregate are not all that substantial when they are compared with the recent annual magnitudes of federal and provincial capital spending recorded in Newfoundland. (In the last two fiscal years, for example, the Province's spending on capital account has amounted to $136.8 and $140.8 million respectively.) The Commission concludes that within a relatively short period, perhaps within two decades, all the principal capital outlays for a broadly based municipal service structure, at least in regard to its bread-and-butter essentials, will have been completed. The speed at which this objective can be achieved will obviously depend on many factors among which must be counted the degree of economic and price stability achieved in Canada, the growth of the Newfoundland economy, the measure of federal participation in municipal projects, the volume of municipal replacement capital needed, and the competing public investment demands in the non-municipal sectors. But any projection of future requirements serves to reinforce awareness of very rapid recent growth. When it is judged in historical perspective, the recorded pattern of growth has been unique in Canada and hence must be accounted a considerable achievement.

Unfortunately, however, that record of accelerated municipal development suffers as well from the defects of its own merits: the very rapid pace of development has itself produced local public expectations that cannot be realized as quickly as many now believe to be possible; the complexities associated with resource allocation have grown more acute; while the management and operational aspects of recent service development have produced a growing agenda of municipal problems that are political, administrative, fiscal and technical in nature. It is the Commission's view that these difficulties are equally a product of Newfoundland's condition and the inherent consequences of municipal development itself. Once a water and sewerage system has been installed, for instance, it must be paid for over an extended period; it must be managed, maintained and operated in an efficient manner; it must be extended in stages coincidental with the growth of the community; and, finally, its components must in the long run be replaced. A preoccupation with initial capital development, in fact, frequently leads to forgetfulness concerning its necessary consequence, namely, the introduction of management and operational structures that must be sustained by annual current account expenditure. Debt carrying and repayment costs, for example, are a persistent difficulty in many municipalities.

A second negative consequence of rapid municipal service development has been the lack of balance apparent in regard to the geographic distribution of service levels and the differential priorities attached to various kinds of local services. It is the Commission's belief that during the next three decades of municipal development the first of these imbalances will correct itself. With the establishment of regional authorities and the further development of trunk and regional highways, municipal capital will undoubtedly flow into those communities whose basic service needs have thus far not been adequately accommodated. But it should not be forgotten that in this connection there will be increasing cost requirements since the units to be serviced will tend to be more isolated and generally smaller in size. For this reason, support programmes and management strategies quite different from those which have hitherto prevailed will be needed if the progressively more difficult allocation challenges are to be met in a rational manner. Special measures will undoubtedly be required, moreover, to deal effectively with the inherent disparities likely to prevail in the Labrador coastal communities. Elsewhere, the stern reality of community decline will have to be faced.

The second imbalance, on the other hand, will obviously prevail for a much longer period especially in smaller municipalities. We refer to the necessary emphasis which has been accorded the "hard" municipal services (e.g., paved roads, water and sewerage systems, fire equipment and local physical facilities), as opposed to the "soft" services (e.g., police protection, municipal administration, community planning and local public libraries). These latter services, for understandable reasons, are often considered to be mere "frills". Fortunately, however, most of them are not capital-intensive; their development in future years will thus depend much more upon the provision of suitable provincial policy frameworks and incentive systems than upon large, recurring public financial investments.

When viewed in the perspective of municipal service requirements during the next three decades, however, the Province's current service pattern standards present a central dilemma — a dilemma common to all democratic communities — but one that is particularly difficult to resolve satisfactorily in Newfoundland. This dilemma arises from a distinction between service needs, as expressed in terms of broadly accepted technical criteria, and service demands. The Commission's concern in this connection is summarized, in part, in the following quotation from the *St. John's Urban Region Study's* Municipal Services Plan (p. 70):

> "There are many forces in society which establish the threshold of what is need and what is not, among them the passage of time, ubiquity of communications, and the rise in the average level of affluence. These thresholds have in many cases been expressed in terms of standards either explicitly or implicitly. Such standards form a useful guide, but there is a tendency to overlook the fact that they establish minimum standards only; this is particularly so where the backlog in reference to them is great, and this usually coincides with those places least able to make up the backlog . . . Experience in Newfoundland shows that attempts to economize by lowering generally accepted standards are not successful, and are soon exposed with vociferous demands which are even more expensive to meet than if the full standards had been faced up to at the beginning."

Yet it is obvious that in political and administrative practice an effective maintenance of this distinction is almost impossible to achieve, due to environmental limitations inherent in the Province's demographic and economic bases, the recency of its municipal experience, the lack of development of its municipal taxation and fiscal frameworks, the increasing vagaries associated with provincial grants to local authorities, and the deficiencies inherent in the present organizational structure of its municipal government system. *Some of these basic environmental conditions obviously cannot be altered; but it is believed that major structural adjustments must soon be introduced with respect to municipal finance, the Province's fiscal support programmes and the institutional framework of local government. These structural changes, most of them fundamental in nature, are proposed in the following chapters of this report; they are the essential or primary requisites for development during the next phase of municipal evolution in Newfoundland. Without them, service standards will in the future continue to fall well below the minimum acceptable norms, and there will continue to be unwarranted resource wastage, duplication and underutilization of scarce and expensive local public facilities. Local services in the unincorporated communities, moreover, would no doubt continue in their presently under-developed state.*

The Commission believes, however, that financial and institutional reforms of the kind outlined in later chapters will not in themselves suffice. For it is clear that in a number of key service sectors, notably in water resource policy, land use and land banking, crown land administration, local police and fire protective services, and community planning, there does not yet appear to exist even a general provincial policy framework within which municipal *service development* could proceed in the future. In other service sectors, on the other hand, the current policy patterns upon which development is premised are static and, in some instances, fundamentally defective. And in no municipal service area can it be claimed that at the provincial level quantitative and qualitative information is systematically gathered, stored and subjected to regular evaluation for policy and programme purposes. In short, there does not yet exist a suitable management information system with respect to municipal services in Newfoundland, notwithstanding the Province's increasing financial participation in these matters.

The Commission recommends, therefore, that such a system should be established. A suitable range of goal output and goal distribution indicators should be designed which will produce the required annual statistical measures of local service programme performance. Implementation of this latter objective will require application at the municipal level of electronic data processing techniques. It will also require the additional technical skills in the Department of Municipal Affairs and Housing needed to design and use effectively the new management instruments that are available. The basic studies commissioned in recent years, and the work performed by the Planning Task Force Community Services Standards Committee in particular, represent a promising beginning; but it seems clear that in view of the growing provincial fiscal participation in local government service activities, a much more *systematic* framework for decision-making is required if the general public interest as well as particular municipal interests are to be properly served. Recommendations in respect of this matter are found in Chapter 14 below.

Part III

The Newfoundland Municipal Fiscal System

Chapter 6

A Strategy for Municipal Fiscal Development in Newfoundland

1. Introduction

While it is not unreasonable, considering all the circumstances, to contemplate with moderate satisfaction the record of municipal achievement in Newfoundland during the last three decades, it should not be forgotten that the primary motive which prompted the appointment of this Commission was the government's increasing concern with municipal problems that are in large measure technical and financial in nature. Of the ten specific subjects assigned in our terms of reference for study and recommendations, fully five deal exclusively with fiscal matters, as follows:

(a) policies of financial assistance to municipalities;
(b) taxation and regulatory powers delegated to local authorities;
(c) the revenue sources assigned to municipalities;
(d) the adequacy of financial controls over expenditures; and,
(e) service levels that should be provided by local communities correlated with population levels and ability to pay.

Three other assigned subjects, on the other hand, have financial aspects or consequences of central importance, namely:

(f) the improvement of municipal structure and administration;
(g) the criteria to be followed in regard to the establishment of new municipalities; and,
(h) the possibility of establishing regional or other forms of local government in the Province.

Only two subjects detailed in the Commission's terms of reference do not have fiscal dimensions of major significance, that is to say:

(i) the general review of all existing municipal legislation; and,
(j) the rights and obligations of local governments.

Because of its limited time and budget, the Commission was not able to complete all of its technical work in the fiscal sector. Nevertheless it has given primary emphasis to the financial aspect of the inquiry. In this preliminary chapter it presents the conclusions of its various economic and financial studies, and sketches in broad outline the framework of its proposals for a reform of the entire local government fiscal system. In the next chapter, it examines in detail the various municipal tax and revenue resources available to local governments from their own sources. Major proposals are made in this sector. Chapter 8 then deals with the provincial support policy and grants on behalf of local authorities. Additional proposals, most of them quite novel by the standards of Canadian municipal practice, are offered in this area as well. Finally, there is a short summary chapter dealing with local government expenditure and debt patterns. The purpose of the latter chapter is more to illustrate the consequences of existing structures and processes than it is to propose guidelines for future development. Chapter 9, therefore, contains very few recommendations.

It should be recognized at the outset that the work of this Commission builds systematically on related inquiries in other provinces which in recent years have studied the same range of general fiscal problems, though in quite different institutional-cultural contexts and socio-economic environments. We note, in this respect, the pioneering work performed in New Brunswick more than a decade ago by the *Royal Commission on Finance and Municipal Taxation* (Byrne Commission) and the more recent *Task Force on Municipal Structure and Financing*, a copy of whose report was generously supplied to the Commission by Mr. E. G. Allen, Deputy Minister of Municipal Affairs. We are also indebted to Ontario's *Committee on Taxation* (Smith Committee), whose massive three-volume (1967) report and additional special studies are a primary reference source on both fundamental fiscal questions and on sundry detail. We have also consulted the Michener Commission's report (Manitoba) and that of the Bélanger Commission (Quebec). And we are, to be sure, much appreciative of the many technical materials on fiscal matters which are produced and distributed by the Canadian Tax Foundation. We wish, lastly, to express our appreciation to Mr. Joe Martin, of P.S. Ross & Partners, Toronto, who sent us his article on "Real Property Taxation: Stirrings of Reform" published in the *Canadian Tax Journal*, Vol. xx, No. 5, 1972.

The Commission has also derived considerable benefit from various Newfoundland economic and fiscal studies. First, the *Report of the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador* (1967). Second, the *Report of the Royal Commission on Labour Legislation in Newfoundland and Labrador* (1972). Third, the *Report of the Royal Commission on Taxation and Revenue of the City of St. John's* (1972). Fourth, the *St. John's Urban Region Study* (1973), particularly Interim Report 4A dealing with financial matters. The Commission is particularly indebted to the officers of the Provincial Planning Office who, in the spring of 1973, made available to its staff the Planning Task Force (Community Services Standards Committee) *Community Inventory* and the subsequent computer analysis of its results. And we wish formally to record our appreciation to the officers of the Planning and Priorities Secretariat and of the Departments of Education, Finance, Rehabilitation and Recreation, and Municipal Affairs and Housing, all of whom supplied essential financial material.

From non-official sources we received many formal submissions and comments. Major fiscal proposals were made, however, by the Newfoundland and Labrador Federation of Municipalities, nearly seventy pages of whose submission dealt with the fundamentals of municipal finance. The Federation of Labour, the City of St. John's and the town of Bishop's Falls also made useful proposals. Despite our earnest efforts over a considerable period, we received in the end no submission, comments or recommendations from any business organization (e.g., Boards of Trade or Chambers of Commerce) in the Province. Lastly, we acknowledge the comprehensive study prepared on our behalf by the Newfoundland Light and Power Company Limited. Information, ideas and propositions from all of these local public and private sources are intermingled within the fabric of the next four chapters in a manner which precludes detailed acknowledgement. The Commission wishes simply to express a collective appreciation to all of those who assisted in any way with this portion of the inquiry.

2. Special Fiscal Studies Undertaken by the Commission

In view of the scope of its investigation, the Commission was required to undertake a broad range of technical studies. The most significant of these included the following:

(a) Recent Municipal Fiscal trends in all ten Canadian Provinces;
(b) Provincial-municipal Public Finance in Newfoundland, 1962-1974;
(c) Real Property Assessment in Newfoundland, Nova Scotia and Ontario;
(d) Municipal Tax Administration in Newfoundland;
(e) Comparative Forms of Municipal Business Taxation;
(f) School Taxation in Newfoundland;
(g) Municipal Taxation of Telephone and Electric Utilities in Canada;
(h) Municipal Taxation of Industry, Farmlands, Timberlands and Mines in Canada;
(i) Municipal Tax Exemptions;
(j) Municipal Tax Arrears in Newfoundland;
(k) Alternative Systems of Municipal Revenue;
(l) Federal Grants to Municipalities;
(m) Provincial Grants to Municipalities in Canada and Newfoundland;
(n) Municipal Expenditure Patterns in Newfoundland;
(o) Municipal Bank Borrowing and Debenture Obligations.

In addition to these studies (only one of which, namely (c) above, was undertaken by an external consultant), the Commission executed a major statistical inquiry which forms the centrepiece of its entire financial analysis. That inquiry involved statistical sampling, computer breakdown and correlation techniques which have not been used thus far in Canadian commission studies of this kind. Some detailed description of this work is required, since its results have exerted a strong basic influence on our conclusions and recommendations. In the pursuit of these study objectives, the Commission was assisted by Professor Michael Wallack, of Memorial University's Political Science Department, who undertook the necessary general computer analysis on our behalf. A smaller project, concerned with the incidence of social assistance payments in Newfoundland communities, was also undertaken by Mr. B. Peckford of Newfoundland and Labrador Computer Services Limited.

The detailed results of the Commission's statistical inquiry are presented in Annex A below. Section 2 of the Annex provides the results of a breakdown of sample material in terms of five standard categories: the five types of municipalities in Newfoundland; four local population size groups; the Province's ten census divisions; four density groups; and five income groups. The materials presented in terms of these categories deal with the following matters: (i) municipal revenues raised exclusively from local sources; (ii) the contributions of the Government of Newfoundland to local budgets; (iii) the degree to which municipalities have come to rely upon grants from the Province in their normal fiscal operations; (iv) municipal tax delinquency; and (v) municipal service levels, local tax effort and selected local fiscal indicators.

Section 3 of the Annex is a much longer summary of the Commission's regression (correlation) analysis which was performed on 30 local fiscal variables, seven basic environmental indicators and three primary service measures. From a very comprehensive body of material the Commission has selected only the more significant series and subjected them to four sets of manipulations under the headings R-I, R-II, R-III, and R-IV. The first regression set (R-I) includes 180 pair-relationships illustrating the statistical connections among environmental and fiscal variables. The second set (R-II) includes 359 pair-relationships illustrating the association patterns among the 30 fiscal variables. The third regression set (R-III) contains 90 pair-relationships involving the service and fiscal series. Set (R-IV) consists of 45 correlations among the service and environmental indicators.

Section 4 of the Annex is a short presentation of a study which subjected the sample material to a form of "factor" analysis in an effort to obtain additional information on its basic statistical properties. This part of the work was also designed to provide a check upon the studies performed in earlier sections. *Section* 5 is the last of the purely analytical elements contained in the Annex. It employs a statistical ranking technique in order to examine systematically the degree of intensity found in taxation activities within some 70 Newfoundland towns during 1971. The degree of fiscal intensity found to exist in these municipalities is then related to their population levels, community income per capita, the level of social assistance payments, local budgetary activities and the levels of various provincial grants received during 1971.

3. Statistical Sample of 116 Municipal Budgets, 1971

At this point we wish to record the many difficulties that were encountered in attempting to secure complete and reliable information on the recent financial operations of Newfoundland's local authorities. In spite of excellent and sustained co-operation from all senior and local government officials, we have found it virtually impossible to extend our financial inquiry in an authoritative manner much beyond the calendar year 1971. By March, 1973, official information based upon audited financial statements became available for all municipal units for the year 1970. The Commission then attempted to secure the audited 1971 financial statements for all local authorities in the Province. During the spring and summer of 1973, its research staff assembled and analyzed the audited records of 116 municipalities: two cities, 74 towns, five rural districts, 19 local improvement districts and 16 local government communities. Some 20 towns, the majority of them very small and most of them recently incorporated, could not be included in the sample because their audited accounts for 1971 were not then available. By all sampling standards, however, the survey was very extensive. The Commission is satisfied that essentially the same general fiscal pattern revealed in its 1971 study would have emerged even had all incorporated municipal units been included. Many of the small towns contained in the survey, for example, have characteristics identical with those found in the excluded units. And in the case of non-town municipalities, with a few notable exceptions, there exists a broad similarity in fiscal and other characteristics which does not require including large numbers of them in a sample for study purposes. The total excluded population amounted in any case to only 50,003, or approximately 13 per cent of the Province's municipal population estimated in 1971 to be resident within incorporated units. This number was distributed among 107 communities with an average population of 467. As a final comment on the difficulty of securing adequate and reasonably current province-wide information on municipal financial activity, the Commission points out that in May, 1974, the complete information on Newfoundland municipal finance for 1971 was still not available.

As it was finally constituted, the 1971 municipal sample contained a population of 333,141, or 86.9 per cent of the total provincial population (383,144) then estimated by census count to be resident within incorporated boundaries. The size characteristics of the sample are shown in Table 6-1:

Table 6-1: Total and Average Municipal Populations Included in 1971 Commission Sample, Distributed by Size Categories

Size Category	Total Population	Average Population	Number of Units
0 - 999	33,792 (10%)	690	49 (43%)
1,000 - 2,499	63,135 (19%)	1,578	40 (34%)
2,500 - 4,999	59,013 (18%)	3,688	16 (14%)
5,000 and over	177,201 (53%)	16,109	11 (9%)
TOTAL	333,141 (100%)	2,872	116 (100%)

For each of the 116 municipalities included in the survey, information was fed into the computer relating to 1971 municipal tax and non-tax revenue yields, outstanding taxes, municipal expenditure and debt patterns, and senior government grants of various types. Additional information was added for each municipal unit: population size, 1971; population growth, 1966-71; the age of the municipality; number of houses; public road mileage; the percentage of houses in each community serviced with public water and sewerage systems; the percentage of roads paved; the number of municipal employees; the annual average amount spent on short-and long-term social assistance; and, in more than 70 instances, the total amount of personal income reported by all residents of each municipality in their 1971 income tax returns.

From this initial information input, more than 200 variables, many of them in the form of per capita ratios and other coefficients, were created for use in the financial analysis. This aspect of the study has three separate components. First, approximately 150 variables were broken down or distributed among the following categories: type of municipality, age, size, location within the Province, density (i.e., number of houses per mile of public road) and personal income pattern. Second, some 50 of the more significant variables were subjected to regression analysis and a matrix of Pearson correlation coefficients for them was prepared. More than 1,000 coefficients were thus produced. These correlation numbers, together with their "Scatter Diagrams", enabled the Commission to generalize the patterns of association which existed in 1971 among different factors in the survey. For example, they suggest the degree to which the per capita yield of, say, the municipal fuel tax in all municipalities is associated with the per capita income of their residents, with community density, size, and service levels, or with the per capita yields in the municipalities of other local taxes and with various provincial grants. Finally an attempt was made to isolate those factors which best appear to explain the observed patterns of association. The method adopted for this "data reduction" process involved a form of "factor analysis". (See Annex Section 4)

4. Variables Used in Pearson Correlation Matrix

1. Population Size, 1971 (003)
2. Population Change, 1966-1971 (069)
3. Number of Houses (007)
4. Public Road Mileage (010)
5. Density (Number of Houses Per Mile of Road) (070)
6. Tax-Reported Income Per Capita (068)
7. Short-Term Assistance Payments, 1972 (015)
8. Long-Term Assistance Payments, 1972 (012)
9. Short-Term Assistance Payments Per Capita, 1972 (220)
10. Long-Term Assistance Payments Per Capita, 1972 (219)
11. Property Tax Per Capita (075)
12. Business Tax Per Capita (076)
13. Fuel Tax Per Capita (077)
14. Service Fee Per Capita (078)
15. Water-Sewerage Rate Per Capita (079)
16. Other Tax Per Capita (080)
17. Total Tax Per Capita (081)
18. Non-Tax Revenue Per Capita (082)
19. Total Local Revenue Per Capita (083)
20. Outstanding Taxes Per Capita (084)
21. Revenue Grant Per Capita (108)
22. Road Grant Per Capita (109)
23. Revenue and Road Grant Per Capita (112)
24. Water-Sewerage Subsidy Per Capita (110)
25. Special Grant Per Capita (111)
26. Total Grant Per Capita (113)
27. Total Disposable Revenue Per Capita (19 *plus* 26) (217)
28. Total Tax as Percentage of Total Local Revenue (214)
29. Non-Tax Revenue as Percentage of Total Local Revenue (215)
30. Total Grant as Percentage of Total Disposable Revenue (135)
31. Revenue and Road Grant /Total Tax (150)
32. Water-Sewerage Subsidy/Total Tax (151)
33. Special Grant/Total Tax (152)
34. Total Grant/Total Tax (153)
35. Local Effort (Tax Reported Income/Total Tax) (154)
36. General Government Expenditure Per Capita (121)
37. Protection Expenditure Per Capita (122)
38. Public Works Expenditure Per Capita (123)
39. Sanitation Expenditure Per Capita (124)
40. Recreation and Community Services Per Capita (125)
41. Utility Expenditure Per Capita (126)

42. Debt Charges Per Capita (Exclusive of Retirement) (127)
43. Total Expenditure Per Capita (128)
44. Public Debt Per Capita (218)
45. Debt Charges as Percentage of Total Local Revenue (216)
46. Percentage of Houses with Water Hook-Up (071)
47. Percentage of Houses with Sewer Hook-Up (072)
48. Percentage of Public Roads Paved (073)
49. Number of Municipal Employees (049)
50. Total Disposable Revenue Per Municipal Employee (074)

Note: Bracketed numbers are the variable numbers used in computer operations.

Most of the titles assigned to these variables are self-explanatory, but items 19, 27, 30 and 35 in the above list require brief comment. Variable 19 *(total local revenue* per capita) represents the yield in 1971 of all municipal tax and non-tax revenue, including *federal* government grants, divided by the unit's 1971 census population. This particular series thus includes all revenue raised locally, *plus* all federal grants, *minus* all provincial grants to individual municipalities and to all units included in the sample. Variable 27 *(total disposable revenue* per capita) is variable 19 with all the provincial contributions added. It thus represents, in effect, the total municipal budget for each and every municipality in the 1971 sample divided by population. Variable 30 is the ratio of total provincial grants to total disposable revenue. It is a key measure of the degree to which Newfoundland's municipalities are dependent upon the Province for fiscal support.

Variable 35 is a coefficient with special significance; it represents the income-related intensity with which municipalities in the sample (for which 1971 tax-reported income was obtained) imposed *taxation* upon their citizens in order to provide the public resources needed for local government services and functions. The measure is confined to taxation as distinct from all locally-raised revenue, in part to exclude the effect of federal grants, but also because our analysis of the financial statements of municipalities indicated that local non-tax revenues were extremely variable from year to year, and depended upon periodic sales of land or property, rental revenues from equipment and buildings and intermittent contributions from private corporations or groups. It is recognized that all of these items are extremely important in municipal budgets, yet they ought to be excluded from any measure of local fiscal effort which seeks to define the degree of direct tax impact on the citizen and the community.

The Commission wishes to caution, however, that the precision which it was possible to achieve with respect to taxation, grants, expenditure and debt (where the information was extracted directly from each municipality's audited financial statements) could not in the event be accomplished in the case of community income estimates. We received estimates of total community income declared by the residents of some 70 Newfoundland and Labrador towns and the two local improvement districts of Labrador City and Wabush. (This information, it is emphasized, related in each case to the *entire* reported income — i.e., "total earnings before deductions" — of *all* taxpayers submitting federal income tax returns for 1971 bearing the post-mark of the relevant communities included in this survey. *No information was thus obtained on the income of particular taxpayers*, nor of the earnings of those individuals who submitted no tax returns.) It will thus be apparent that these data leave much to be desired. For one thing, they exclude undetermined amounts of income accruing to the individuals who submitted no tax returns in the communities. Second, the use of the mailing point rather than the actual address of taxpayers creates some difficulty. In a few cases, finally, a number of smaller communities were grouped together and their collective tax-reported incomes were aggregated. (The information came to us in that form. For instance, the income number received for Arnold's Cove includes as well the earnings estimates for the residents of Bellevue, Chance Cove, Little Harbour Bay, Mount Arlington, Southern Harbour and Thornlea. The population of these latter units exceeds that of Arnold's Cove.) This difficulty does not arise in the case of the larger town units, but it does impair the accuracy of our estimates in the case of about eight small incorporated communities. This limiting factor should be kept in mind when interpreting our results. It does not, in the Commission's view, detract from the overall accuracy of the analysis, but it does add inaccurate data inputs in a small number of instances.

Reference to the list of variables above will indicate that we have also used the measure of tax-reported income per capita (Variable 6). When communities are ranked in terms of this measure, there is in general some correction for the exclusion of individuals who did not submit tax returns. But there remain a number of statistical difficulties with this series as well. The Commission's conclusion, therefore, is that the data available with respect to community income, while they are vastly improved as compared with former years, are as yet too imprecise to be used with the confidence for administrative purposes. If they were used to determine municipal grants, as an example, they could, unless suitably adjusted, produce numerous anomalies and inequities. Some attention to a resolution of these technical problems is obviously necessary.

The Commission has supplemented its data on community income patterns, however, with information on the per capita incidence of short-and long-term social assistance case numbers, persons and payments in the communities included in its 1971 sample. These "indicator variables" are numbered 7, 8, 9, and 10, respectively. The information in this case originated with the Department of Social Assistance and was subjected to electronic manipulation at our request by the Newfoundland and Labrador Computer Services Limited. There are also, to be sure, statistical shortcomings associated with this information in the case of small communities. Yet it is believed that it provided a useful additional source of data on the comparative "ability to pay" for local government services in a great many of the Province's municipalities. There is a possibility, moreoever, that these particular series could be improved to the point where they might be used with confidence for administrative purposes. But some further technical consideration of this matter is required as well.

All the remaining variables used in this study, such as those pertaining to community population and population growth, house numbers, road mileage, local service levels, and the number of municipal employees, were obtained either from Statistics Canada reports or from the Task Force *Community Inventory*. Generally speaking, there are fewer statistical difficulties with these series than with those described above. The "artificial" variables (e.g., all per capita ratios and measures such as density — i.e., houses per mile of public road in each community) were created by computer manipulation; they are as accurate as the input numbers from which they were derived.

5. Correlation of Fiscal, Environment and Service Variables: A Summary

Pursuant to its terms of reference, the Commission has undertaken a comprehensive programme of statistical correlation (regression) in order to discover the complex patterns of association that appear to prevail in the Newfoundland municipal system among its fiscal, environmental and service variables. The particular fiscal *series* used for correlation purposes include, for each and all communities in the 1971 survey, the seven main municipal taxation variables, the tax arrears ratio, the six principal grant ratios, the fiscal dependency measure, expenditure, debt and miscellaneous indicators. The *environmental series* include population (1971), population change (1966-1971), house numbers, public road mileage, density, income per capita, and long and short-term social assistance payments per capita. The *service variables* are confined to the three major capital-intensive local service ratios, that is to say, the proportions of local roads paved and of houses connected to public water and sewerage systems within the communities included in the sample. (For a list of these variables, see Table 6-2 below.)

The degree of association that exists among these variables is measured by *Pearson correlation coefficients*. The numbers have a range from + 1.00 to − 1.00. Quite frequently this method of correlation is used to test hypotheses and even to predict relationships that are assumed to exist among different series. It could be hypothesized, for example, that there was a perfect and positive correlation between the per capita yield of, say, the real property tax and community income per capita. For such a presumed relationship to exist, it would be necessary to demonstrate that the community with the highest yield of the tax would also have the highest income, and that unit with the second-highest yield would have the second-highest income, and so on through all pairs in the comparison. Such a perfect pattern of association, if it existed, would produce a correlation number of + 1.00. Conversely, a perfectly inverse relationship between real property tax yield and community income per capita (where the unit with the highest tax yield had the lowest income, and the unit with the second highest tax yield had the second lowest income, and so on) would produce a negative correlation number of − 1.00. Or, to consider a third possibility, there could be *absolutely* no correlation whatsoever between the real property tax and the income variables. In that case, the comparison would produce a correlation coefficient of 0.00, or a number perfectly between − 1.00 and + 1.00 It will thus be clear that when this method is employed to discover an existing relationship between two sets of numbers (in our example, the per capita yield of real property taxes in all communities using them and the per capita reported income of those same communities in the sample) the *significance* of the association pattern between them *increases* as the correlation coefficient approaches either −1.00 or +1.00. Among Newfoundland's municipalities actually using the real property tax which were included in our sample, the per capita yields of that tax correlate positively with income per capita at a level of 0.90. This represents, therefore, an extremely strong pattern of association; indeed it is among the strongest encountered in our study, and it confirms our hypothesis that real property taxation and income levels are very closely related.

Without describing the technical methods through which particular correlation coefficients are tested for their significance in relation to the properties of the sample from which they are derived, it is sufficient perhaps to point out that where the correlation numbers are high, say above ±0.65 or ±0.70, it can be presumed that increases or decreases in one variable will be strongly associated with the other in the comparison, whether in a direct (positive) or an inverse (negative) manner. When, on the other hand, correlation coefficients are low, say in the range of ±0.10 to ±0.30, it can be assumed that the patterns of association, whether positive or negative, are irregular and weak. (It is important to note that we are using these comparisons only as rough indicators of the association among variables; we make no claim that when there is a high correlation among two variables, and when the test of significance is recorded at the 0.001 level, that one given variable's behaviour *causes* or *determines* the behaviour of the other.)

In the following pages the Commission now summarizes the results of 674 regressions among seven environmental variables, three major service series and approximately 30 fiscal indicators. For each of the 116 municipalities included in the survey, the basic information for the environmental and service series (i.e., population size, population growth rates, road mileages, house numbers, density measures, incomes per capita, social assistance payments per capita, water and sewerage service ratios and road pavement levels) was calculated electronically from primary census and *Community Inventory* data supplied by officials of the Provincial Planning Office and the Newfoundland and Labrador Computer Services Limited. The basic information for the central fiscal series, on the other hand, was calculated from data abstracted by the Commission's staff from 1971 municipal audited financial statements of Newfoundland's local governments. (For detailed results see Annex A, below, RI-IV.)

The main conclusion to emerge from the study is that very weak patterns of statistical association characterize the overwhelming majority of pair-relationships that were examined. For example, 45 coefficients were derived when the environmental and service indicators were regressed against each other (excluding the cells with perfect correlations where, say, population is associated with population). Only three (6.7%) of the regressions yielded coefficients above a ±0.50 level. When the environmental and fiscal variables were correlated, the resulting 180 pair-relationships yielded only 18 coefficients (10.0%) above the ±0.50 level. Lastly, when the fiscal series were regressed against each other, 359 coefficients were derived, of which 54 (15.0%) were above the prescribed minimum level. In all, only 83 coefficients (12.3%) among the entire array of 674 attained the ±0.50 level.

A slightly larger proportion of moderate to strong statistical associations was found among the purely fiscal correlations. This resulted no doubt from the fact that a number of the fiscal series are cumulative in nature, and the probability that some auto-correlation had occurred in those instances was quite high. The association among measures such as total municipal taxation and total local revenue per capita, for instance, is bound to be very strong since the latter consists largely of the former. This problem was less pronounced in the case of the environmental and service data. But in those areas certain "natural" associations were expected to yield very high correlations. That they did so is apparent from the following examples: population size and house numbers (0.99); long-and short-term social assistance payments per capita (0.73); population and road mileage (0.79); and water and sewerage service ratios (0.82). Many of these associations are incidental to the state of nature and ought strictly to be discounted.

But there were many associations which were far weaker than the Commission had initially projected. In the first place, it was found that *community income per capita did not correlate strongly with either short- or long-term social assistance payments per capita.* Indeed, according to our data, there is a probability of just under four in every 10 cases, on the average, that higher welfare payments will tend to be distributed in Newfoundland communities with higher than average tax-reported incomes per capita. The incidence of these payments, moreover, is not significantly related to community density, to the size of population, nor to the degree of population growth. In point of fact, there is an almost even chance that higher than average social assistance payments will be made in the larger, more rapidly growing population centres of the Province. It was also surprising to discover that community income per capita was associated with density, population growth and population size only within the range of 0.29-0.32. *This very indifferent relationship suggests that there is always a moderate probability in Newfoundland that larger, growing communities with increasing density conditions may also be poorer municipalities whose citizens have a comparatively reduced capacity to afford the required minimum levels of local government services.* This conclusion, if it is accurate, also suggests a measure of complexity in the demographic and economic environments of the Province which is unrecognized by the general public, since it tends to be broadly assumed that the association among population, growth, density and income is higher than it really appears to be. It is recognized, of course, that local fiscal effort is an important matter in this connection. But public *programmes which use population and density measures as surrogate inverse indicators of local need should probably be given close scrutiny.* The Commission also considers it to be of some significance that the population size of Newfoundland's major municipalities is associated with their density only at the level of 0.48. This correlation suggests that a considerable number of small communities have high-density conditions which may require comparatively extensive per capita local service outlays.

Secondly, the fact that existing water and sewerage service levels correlate so poorly with population size (0.20-0.23), density (0.36-0.40), and income per capita (0.17-0.25) has major policy implications. *This relationship, the Commission also believes, is not strongly recognized by the general* *public. Indeed, on numerous occasions during the inquiry we were informed that the larger, more prosperous communities were receiving favoured treatment in respect of grants and other forms of provincial support. But, as we have shown, this view tends to be deficient on two counts: on the one hand, many larger communities are not above-average in terms of prosperity, whereas, on the other hand, and according to our data, a significant proportion of available resources appears to have been allocated for primary, cost-intensive service development in the smaller, less densely populated municipalities.* The very weak relationship which is manifest as between water and sewerage service levels and density, in particular, should become the source of some public concern. The Commission believes, for instance, that communities with high density ratios should have a much stronger priority claim upon scarce resources for water and sewerage service development — in the interest of public health objectives — than they appear to have had in the past.

In the matter of local road service levels, the strongest association is with income per capita (0.45), as compared with population size (0.20), population growth (0.18), road mileage (0.14), density (0.27), short-term assistance payments (– 0.26) and long-term assistance payments (– 0.24). These measures confirm the basic statistical relationships noted above with respect to water and sewerage service levels: local road paving programmes have not tended to be strongly concentrated in the larger centres of the Province, nor in the communities with longer mileages, nor in the growing municipalities. And it is of some interest that the positive and weak to moderate association of road development with income contrasts with its negative and weak relationship with social assistance payments.

The statistical connections among local service levels, tax effort and municipal dependency on the one hand, and locally-raised revenues, provincial grants, municipal expenditure and debt levels on the other, are of central importance in this inquiry. Some 90 pair-relationships in this area were examined but less than 10 per cent of them yielded strong measures of association. We summarize in Table 6-2 the general patterns of correlation which existed in 1971 among: (1) the two main water and road pavement service indicators, (2) municipal fiscal effort, (3) the degree of local reliance upon provincial support and (4) all the principal environment and fiscal variables used in the study. In this instance the actual regression coefficients are converted into an intensity scale, as follows:

none	0.00
±minimal	0.00-0.19
±weak	0.20-0.39
±moderate	0.40-0.59
±strong	0.60-1.00

Table 6-2: Summary of the Correlates of Local Service Levels, Municipal Tax Effort and Municipal Fiscal Dependency Newfoundland Municipal Financial Survey, 1971

Variables	% Houses with Water Service (1)	% Roads Paved (2)	Municipal Tax Effort (3)	Municipal Fiscal Dependency (4)
A. Environmental				
1. Population, 1971	weak	weak	minimal	weak
2. Population Growth, 1966-1971	minimal	minimal	minimal	minimal
3. Public Road Mileage	minimal	minimal	weak	weak
4. Density	weak	weak	weak	weak
5. Community Income Per Capita	minimal	moderate	minimal	weak
6. Short-Term Social Assistance Per Capita	weak	weak	minimal	minimal
7. Long-Term Social Assistance Per Capita	weak	weak	minimal	minimal
B. Service				
8. % Houses with Water	strong	weak	moderate	weak
9. % Houses with Sewerage	strong	weak	weak	weak
10. % Roads Paved	weak	strong	weak	weak
C. Fiscal				
Local Revenue Per Capita				
11. Property Tax	weak	weak	strong	minimal
12. Business Tax	weak	weak	weak	moderate
13. Fuel Tax	minimal	minimal	weak	weak
14. Service Fee	minimal	minimal	minimal	minimal
15. Water-Sewerage Rate	weak	minimal	moderate	minimal
16. Miscellaneous Taxes	minimal	weak	minimal	moderate
17. Total Taxation	moderate	moderate	weak	strong
18. Non-Tax Revenue	minimal	minimal	minimal	moderate
19. Total Local Revenue	moderate	moderate	moderate	strong
20. Outstanding Taxes	weak	weak	weak	minimal
21. Municipal Tax Effort	moderate	weak	strong	weak
D. Provincial Grants Per Capita				
22. Revenue Grant	weak	weak	weak	moderate
23. Road Grant	minimal	weak	minimal	minimal
24. Revenue Plus Road Grant	weak	weak	weak	weak
25. Water-Sewerage Subsidy	moderate	weak	moderate	none
26. Special Grant	weak	weak	minimal	weak
27. Total Grant	weak	weak	weak	minimal
28. Total Disposable Revenue	moderate	weak	moderate	weak
E. Municipal Expenditure per Capita				
29. General Government	moderate	weak	weak	moderate
30. Protection	moderate	moderate	weak	weak
31. Public Works	weak	minimal	weak	weak
32. Sanitation	weak	weak	weak	weak
33. Recreation	weak	weak	weak	weak
34. Utility	moderate	weak	moderate	minimal
35. Debt Charges	moderate	weak	weak	minimal
36. Total Expenditure	moderate	moderate	moderate	weak
F. Municipal Debt Per Capita				
37. Public Debt	moderate	weak	weak	minimal
38. Debt Ratio	moderate	weak	weak	minimal
39. Number of Municipal Employees	minimal	minimal	weak	weak

This summary matrix enables us to make the following generalizations. The very weak associations noted earlier among service and environmental variables are paralleled by an even weaker set of coefficients when Newfoundland's municipal fiscal effort is related to the seven environmental indicators. Not a single coefficient among the seven top entries of vertical column (3) in the above matrix, for example, achieves even a moderate rating. This pattern means that in Newfoundland the general fiscal effort exerted by municipalities is very mildly associated with density in a positive manner, but is virtually unrelated, statistically speaking, to community population and income. *There is almost an equal probability, in other words, that larger municipalities with above average personal incomes per capita will in fact be exerting a below-average tax effort, and vice versa.*

Another important conclusion is that the degree to which municipalities were financially dependent upon the Province for grants during 1971 tended to be only weakly associated *negatively* with population, density and income. *Larger sized and sometimes more prosperous communities, that is to say, were only slightly less likely to be dependent upon provincial grants than were the smaller units in the sample.*

It is also clear from the summary comparisons listed above that the levels of municipal service actually achieved in Newfoundland do not bear any strong and consistent relationship with either local fiscal effort or the degree of reliance upon provincial grants. This key dual relationship can be seen in six cells (columns (3) and (4) [in Part B of the matrix]). In column (3) it is noted that water service levels correlate with local tax effort only moderately, whereas the equivalent ratings for both sewerage and road paving services are weak. *The inference to be drawn in this case is that, to a moderate degree, though not in a majority of instances, higher average service levels can be achieved in many municipalities with lower average local tax efforts. Equally, lower average service levels can sometimes coexist with higher tax efforts.* Given the relationship just described, it may then appear to be a paradox that the association among all three service indicators and the degree of reliance upon provincial grants, although weak, is uniformly negative. In other words, taken overall, as municipal service levels *rise*, there is a slight tendency for the reliance upon provincial grants to *fall*. The superficial appearance of a paradox in this matter will be resolved immediately below.

When the relationships among the six local taxation categories (items C 11-16 above) and service levels are examined, it is clear that not a single one of the dozen coefficients achieves even a moderate rating. This pattern means, in effect, that the actual dollar levels of each local taxation source, when measured exclusively in per capita yields and independently of their relationship to community income per capita, are not consistently associated with the service levels actually achieved in Newfoundland's municipal system. *Hence, the probability of predicting that because a given municipality uses the property tax its service level will be above average, is reduced to just over 0.5 on a scale from 0.0 to 1.0. Communities raising fewer tax dollars per capita from any specific source locally, that is to say, are almost as likely, on the average, to have the same levels of municipal services as are local governments that raise more per capita in the equivalent tax* *area*. Indeed, it is only when all local tax yields per capita are cumulated (item C-17) that a moderate association begins to emerge between local revenue levels and service levels. Total locally-raised revenues per capita, therefore, will tend to be much better, although far from perfect, predictors of the probable service levels actually achieved in Newfoundland municipal life.

Columns (3) and (4) in Part C(11-21) of the matrix also generalize the patterns of association found as between the various local revenue variables and tax effort, on the one hand, and local fiscal dependency on the other. With the obvious exception of the real property tax yield and, in a lesser degree the yields of water rates and of all local revenues, there are very indifferent statistical connections between particular tax yield patterns and the general income-related intensity with which local councils impose taxation. Thus, an examination of per capita service fee levels in Newfoundland's municipalities is likely to provide no coherent view of local tax effort in those units. On the other hand, since its coefficient in this area is at the level of 0.64, the property tax yield tends to be more strongly related to levels of tax effort. Even here, however, there will be many exceptions. Much the same pattern as that just described also holds, but in a negative manner, with respect to local revenue yields and the degree of municipal reliance upon provincial grants. *Particularly as total local revenue rises, the level of reliance upon the Province falls.* This latter coefficient, in fact, achieves the level of −0.68. But again it is clear that the use of individual local tax sources is associated in an almost random manner with the fiscal dependency ratio.

When the various provincial contributions to local budgets are examined (items D 22-27), very similar conclusions emerge. *So far as local service levels are concerned there is clearly an almost uniformly indifferent association between them and the levels of provincial grants.* The only exception here is the moderate nexus achieved between the water-sewerage subsidies and water service levels. Very weak but negative connections exist between service levels and the road grant. And there is a positive but only slight association between service levels and all grants allocated. *In this area it should also be noted, finally, that grants are not — except to a moderate degree in the case of water-sewerage subsidies — coherently related to local tax effort. Equally, except to a moderate extent in the case of revenue grants, they bear little relationship with municipal fiscal dependency levels.*

It is the Commission's conclusion, therefore, that in Newfoundland's municipal system the levels of service actually achieved depend only moderately upon local dollar revenue yields per capita and certainly not in any pronounced manner upon the fiscal exertion patterns of local ratepayers. In brief, to a moderate degree, below-average income-related taxation effort does not tend to inhibit the achieving of above-average local service levels. On the other hand, it is equally clear, again to a moderate extent, that below-average grant allocations per capita do coexist with and certainly do not invariably inhibit the achieving of above-average service levels. But the latter condition implies that in many individual municipalities grants and fiscal effort must bear a strong inverse relationship to one another. There thus emerges a pattern in which for some municipalities service levels can be achieved with comparatively little tax exertion, and with above-average provincial support, while for other municipalities the same service levels must be provided with relatively high levels of tax exertion but with below-average provincial support.

This dualistic and superficially paradoxical pattern of relationships between the service and fiscal indicators, in the Commission's view, can best be explained in terms of the nature of Newfoundland's system of municipal grants. The impact of these grants on local budgets and their association with the main environmental variables are summarized in Table 6-3:

Table 6-3: Summary of the Correlates of Provincial Grants
Newfoundland Municipal Financial Survey, 1971

Variables	Revenue Plus Road Grant	Water-Sewerage Subsidy	Special Grant	Total Grant
A. Environmental				
1. Population Size	minimal	minimal	minimal	minimal
2. Population Growth	minimal	minimal	none	none
3. Road Mileage	minimal	minimal	minimal	minimal
4. Density	minimal	minimal	minimal	minimal
5. Income Per Capita	moderate	minimal	minimal	none
6. Short-Term Assistance	weak	minimal	minimal	minimal
7. Long-Term Assistance	weak	minimal	minimal	minimal
B. Fiscal				
8. Real Property tax	weak	weak	minimal	weak
9. Business Tax	weak	minimal	minimal	minimal
10. Fuel Tax	weak	minimal	minimal	minimal
11. Service Fee	minimal	minimal	minimal	minimal
12. Water-Sewerage Rate	minimal	moderate	weak	weak
13. Miscellaneous Taxes	moderate	minimal	minimal	minimal
14. Total Taxation	moderate	weak	weak	weak
15. Non-Tax Revenue	weak	minimal	minimal	weak
16. Total Local Revenue	moderate	weak	weak	weak
17. Total Disposable Revenue	weak	strong	strong	strong
18. Municipal Fiscal Dependency	weak	none	weak	minimal
19. Outstanding Taxes	minimal	weak	weak	weak
20. Local Tax Effort	weak	moderate	minimal	weak

An inspection of the above pattern immediately resolves the apparent paradox created by the contrasting association noted a moment ago as between municipal service levels and local budgetary behaviour. For it is obvious that almost all elements of the Province's grant structure are virtually neutral with respect to the seven environmental and the 13 principal local revenue variables. The single exceptions are the very strong associations noted in respect of variable 17 (the sum of both the purely local fiscal activity and of provincial contributions to local budgets) where the correlation coefficients soar to the very high levels of 0.64 in the case of water and sewerage subsidies, 0.81 in the case of special grants, and 0.87 in the case of total grants. There is thus a mutual reinforcement among the grant components in support of local budgets which is obviously not accompanied by a concurrent discrimination in favour of population size, population growth, local road mileage, density, income or social assistance payment levels. (We note but a moderate bias toward income in the case of the revenue and road grants.) In the case of all of these environmental variables the appropriate grant coefficients fall below ±0.20. And in respect of two of them, namely population growth and income, they achieve the statistically neutral position of 0.00.

When the grant coefficients expressing the degree of association with local revenues are examined, there are, as we should expect, moderate biases apparent in the case of the revenue and road contributions and also in respect of the water and sewerage subsidy. But this discrimination is neutralized substantially when the effect of total grants is examined. We note, too, a consistent though generally weak bias on the part of all grant components against property tax yields per capita. It is thus our conclusion that provincial grants in Newfoundland, while they contribute strongly and positively to total disposable revenue when considered generally, do not discriminate with any strength in favour of larger units, higher-income municipalities, communities with above average densities, units with higher than average revenue yields per capita or towns whose citizens exert a greater than average tax effort. *The practical effect of this grant structure clearly enables some communities to achieve high service levels with minimal fiscal effort and requires others, with substantial fiscal exertion, to seek the same service levels with minimal provincial support. Within these extremes, moreover, there appears to be a good deal of statistically random interaction among service levels, local revenue efforts and provincial contributions.* This conclusion is confirmed by the rank order analysis summarized in the Annex, Section 5.

6. Trends in Newfoundland Municipal Public Finance, 1970-1974

The final aspect of our general fiscal inquiry requires brief comment. The problem with respect to these last financial studies, particularly in the three years after 1971, is created by the fact that in the case of each municipality invariably there are significant observed differences among (1) the annual budget *submitted* to the Minister by the local council, (2) the council's actual operating budget often *revised* and later *approved* by the Minister, and (3) the subsequent *audited* account of the council's operations. All materials in this report, for the years following 1971, must accordingly be regarded as very rough estimates prepared by the Commission from provincial and local budgetary projections, or obtained from the preliminary estimates made by Statistics Canada. Because we could see no practical use in undertaking any elaborate study on changing and frequently inaccurate materials, the bulk of our analysis had of necessity to be confined to 1971. Yet there was a clear need, at the same time, for the Commission to secure the most current information upon which to base its conclusions and recommendations. Under the circumstances, our approach to this problem has inevitably been imperfect. It involves a third sample of the current 1974 budgets of the two cities, 45 of the principal towns and eleven of the non-town units, including the local improvement district of Labrador City. This last survey was confined solely to municipal revenue operations. Its results must, therefore, be regarded as suggestive rather than conclusive. The

Commission believes, however, that the fiscal trend patterns which have been identified and estimated in this section will be shown ultimately to have a reasonable degree of accuracy. In the case of the city projections, for example, our estimates are as accurate as those provided by the city governments for their own budgetary purposes.

Some of these trends have already been summarized in Chapter 3 above, where the general background of current local finance in Newfoundland was initially presented. We wish to set out at this point some of the more significant patterns in greater detail before proceeding to the main fiscal proposals offered for public consideration. Statistical detail in this sector is found in the accompanying Tables 6-4, 6-5 and 6-6.

(a) *City and Non-City Local Finance*

Total city taxation has increased from $9.9 million in 1970 to an estimated $13.6 million in 1974 (or an increase in per capita terms of 28%). The real property tax continues to be the largest and most responsive source of city tax revenue. Its contribution to total city taxation has actually increased from 51.7 in 1970 to 54.7 per cent in 1974, which implies that its yield has increased to a greater extent than that of city taxation in general. The per capita growth of real property tax yields in St. John's and Corner Brook (32.5%), however, has not been matched by a similar responsiveness in municipal revenues other than per capita water rates (39.3%). City business tax yields, for example, grew in per capita terms by only 9.6 per cent between 1970 and 1974. Whereas the latter tax accounted for 21.6 per cent of city revenue in 1970, the equivalent ratio for 1974 is estimated to be only 18.5 per cent. City business taxes, in fact, have grown from $2.1 million in 1970 to only $2.5 million in 1974. Roughly the same pattern prevails in the case of fuel tax yields: from a 1970 level of just over $700,000 (7.1%) they are projected to reach only $831,000 (6.1%) in 1974. The city service fees collected by Corner Brook, on the other hand, have actually declined from $51,000 in 1970 to the estimated level of only $42,000 in 1974. City water taxes, by way of contrast, have increased from just over $1 million (10.9%) in 1970 to $1.6 million in 1974 (11.9%). When city taxation is considered in the aggregate, it has actually been *declining* relative to total provincial-municipal combined revenue, net of intergovernmental transfers. City taxation in 1970, for example, was 2.6 per cent of combined net revenue; in 1974 the Commission estimates that this ratio has declined to 2.1 per cent. City taxation revenue has also been *falling* when related to the Province's total personal income. In 1970 it amounted to 0.96 per cent of the latter; in 1974 it is estimated to be only 0.81 per cent of Newfoundland's personal income.

These city fiscal patterns differ from those which appear in respect of non-city municipal budgets. It is estimated that real property tax yields outside of the cities have grown from $1.7 million in 1970 to $3.0 million in 1974, or in per capita terms by more than 58 per cent. In large measure because of the rate of new incorporations since 1970, the overall yields of most non-city municipal taxes have increased to a much greater extent than those in St. John's and Corner Brook. Business taxes have nearly doubled in total dollar value, as have water and sewerage taxes. The service fee yield,

Table 6-4: Newfoundland Municipal Taxation by Source, Per Capita Ratios, and its Relationship to Combined Provincial-Municipal Net Revenue and Provincial Personal Income, 1970 (Actual) and 1974 (Estimate)

Municipal Category	1970					1974									
	(1) Amount	(2) Amount Per Capita	(3) Source Ratio	(4) % of Total Local Revenue	(5) % of Total Disposable Revenue	(1) Amount	(2) Amount Per Capita	(3) Source Ratio	(4) % of Total Local Revenue	(5) % of Total Disposable Revenue	(6) Percentage Increase Per Capita	(7) Taxation as Percentage of Combined Provincial-Municipal Net Revenue		(8) Taxation as Percentage of Personal Income (Newfoundland)	
												1970	1974	1970	1974
	(thousand $)	$	%	%	%	(thousand $)	$	%	%	%	%	%	%	%	%
Cities															
Property Tax	5,137	44.90	51.7	47.9	35.0	7,436	60.70	54.7	43.3	31.4	32.5	1.3660	1.1415	0.4978	0.4426
Business Tax	2,145	18.75	21.6	20.0	14.6	2,517	20.55	18.5	14.6	10.7	9.6	0.5704	0.3864	0.2078	0.1498
Fuel Tax	701	6.12	7.1	6.5	4.8	831	6.78	6.1	4.8	3.5	10.8	0.1864	0.1276	0.0679	0.0495
Service Fee	51	0.45	0.5	0.5	0.3	42	0.34	0.3	0.2	0.2	-24.4	0.2888	0.0044	0.0050	0.0018
Water Rate	1,086	9.49	10.9	10.1	7.4	1,620	13.22	11.9	9.4	6.8	39.3	0.0136	0.2487	0.1052	0.0964
Other Taxes	816	7.13	8.2	7.6	5.6	1,157	9.55	8.5	6.8	5.0	33.9	0.2170	0.1796	0.0791	0.0696
Total Taxes	9,936	86.84	100.0	92.6	67.7	13,603	111.04	100.0	79.1	57.6	27.9	2.6422	2.0882	0.9628	0.8097
Non-City Units															
Property Tax	1,694	6.30	34.9	20.2	12.6	2,965	9.97	32.1	24.3	10.7	58.3	0.4505	0.4552	0.1598	0.1565
Business Tax	568	2.11	11.7	6.8	4.2	984	3.31	10.6	8.0	3.6	56.8	0.1510	0.1511	0.0550	0.0586
Fuel Tax	371	1.38	7.6	4.4	2.8	530	1.78	5.7	4.3	1.9	29.0	0.0987	0.0814	0.0359	0.0315
Service Fee	497	1.85	10.2	5.9	3.7	1,258	4.22	13.6	10.3	4.6	128.1	0.1322	0.1931	0.0482	0.0749
Water Rate	1,343	5.00	27.6	16.0	10.0	2,680	9.01	29.0	22.0	9.7	80.2	0.3571	0.4114	0.1301	0.1595
Other Taxes	379	1.41	8.0	4.5	2.8	830	2.78	9.0	6.7	3.0	97.2	0.1008	0.1274	0.0367	0.0494
Total Taxes	4,852	18.05	100.0	57.7	36.1	9,247	31.07	100.0	75.6	33.5	72.1	1.2903	1.4196	0.4657	0.5504
All Municipalities	14,788	38.60	-	77.3	52.7	22,850	54.40	-	77.7	44.6	40.9	3.9325	3.5078	1.4285	1.3601

Table 6-5: Components of Disposable Municipal Revenue, Related to Provincial Budget, Combined Revenue and Personal Income, Newfoundland City and Non-City Units 1970 (Actual) and 1974 (Estimated)

	Municipal Taxation (1)		Non-Tax Revenue (2)		Total Local Revenue (3)		City-Revenue-Road Grants (4)		Water-Sewerage City Subsidies and Special Grants (5)		City Service and Special Grants (6)		Total Provincial Contributions (7)		Total Disposable Revenue (8)	
	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974
Dollar Yield																
(City)	9.9	13.6	0.8	3.6	10.7	17.2	0.6	0.6	0.1	0.1	3.3	5.6	3.9	6.4	14.7	23.6
(Non-City)	4.9	9.2	3.6	3.0	8.4	12.2	2.5	5.4	1.8	6.9	0.7	3.0	5.0	15.3	13.4	27.6
(Total)	14.8	22.9	4.3	6.6	19.1	29.4	3.1	6.0	1.9	7.0	4.0	8.8	8.9	21.8	28.1	51.2
(million $)																
Dollar Yield Per Capita																
(City)	87	111	7	29	94	140	5	5	1	1	28	47	34	52	128	193
(Non-City)	18	31	13	10	31	41	9	18	7	23	3	10	19	52	50	93
($) (Total)	39	54	11	16	50	70	8	14	5	17	10	21	23	52	73	122
Revenue Source Ratio																
(City)	68	58	5	15	73	73	4	2	1	0	22	24	27	27	100	100
(Non-City)	36	34	27	11	63	44	19	20	13	25	5	11	37	56	100	100
(%) (Total)	53	45	16	13	68	57	11	12	7	14	14	17	32	43	100	100
T.D.R. Percentage Provincial Budget																
(City)	3.17	2.42	0.25	0.64	3.42	3.06	0.19	0.10	0.03	0.02	1.04	1.02	1.26	1.14	4.68	4.20
(Non-City)	1.55	1.64	1.13	0.53	2.68	2.17	0.79	0.96	0.58	1.23	0.23	0.54	1.59	2.73	4.27	4.90
(%) (Total)	4.72	4.06	1.38	1.17	6.10	5.23	0.98	1.06	0.61	1.25	1.27	1.56	2.85	3.87	8.95	9.10

T.D.R. Percentage Combined Net Revenue																	
	(City)	2.64	2.09	0.21	0.55	2.85	2.64	0.16	0.09	0.03	0.02	0.87	0.88	1.05	0.99	3.90	3.63
	(Non-City)	1.29	1.42	0.94	0.45	2.23	1.87	0.66	0.83	0.48	1.06	0.19	0.47	1.33	2.36	3.56	4.23
(%)	(Total)	3.93	3.51	1.15	1.01	5.09	4.51	0.81	0.92	0.51	1.07	1.06	1.35	2.38	3.35	7.46	7.86
T.D.R. Percentage Personal Income																	
	(City)	0.96	0.81	0.08	0.21	1.04	1.02	0.06	0.03	0.01	0.01	0.32	0.34	0.39	0.38	1.42	1.41
	(Non-City)	0.47	0.55	0.34	0.18	0.81	0.73	0.24	0.32	0.17	0.41	0.07	0.18	0.48	0.91	1.30	1.64
(%)	(Total)	1.43	1.36	0.42	0.39	1.85	1.75	0.30	0.36	0.18	0.42	0.39	0.52	0.87	1.30	2.72	3.05

(note: vertical and horizontal values will not always add correctly due to rounding.)

Table 6-6: Components of Disposable Municipal Revenue, Ratios of Change 1970 (Actual)-1974 (Estimated)

		Municipal Taxation (1)	Municipal Non-Tax Revenue (2)	Total Local Revenue (3)	City and Revenue/ Road Grants (4)	Water-Sewerage Subsidy (5)	City Service and Special Grants (6)	Total Provincial Contributions (7)	Total Disposable Revenue (8)
		%	%	%	%	%	%	%	%
1. Dollar Yield	City	36.9	357.2	60.4	- 2.2	0	76.6	63.0	61.1
	Non-City	90.6	- 16.6	45.3	119.2	262.3	326.4	207.8	105.8
	Total	54.5	51.0	53.7	96.0	267.6	121.5	143.9	82.5
2. Revenue Source Ratio	City	-10.1	9.8	- 0.3	- 1.4	- 0.4	2.1	0.3	0
	Non-City	- 2.6	-15.8	-18.4	1.2	11.6	5.6	18.4	0
	Total	- 8.1	- 2.7	-10.8	0.8	6.9	3.1	10.8	0
3. Total Disposable Revenue as Percentage of Provincial Budget	City	- 0.75	0.39	- 0.36	- 0.08	- 0.01	- 0.02	- 0.11	- 0.48
	Non-City	0.9	- 0.61	- 0.51	0.18	0.65	0.31	1.14	0.63
	Total	- 0.66	- 0.22	- 0.87	0.09	0.64	0.30	1.03	0.15
4. Total Disposable Revenue as Percentage of Combined Net Revenue	City	- 0.55	0.34	- 0.21	- 0.07	- 0.01	- 0.02	0.06	- 0.27
	Non-City	0.13	- 0.49	- 0.36	0.17	0.58	0.28	1.03	0.67
	Total	- 0.42	0.15	- 0.57	0.11	0.57	0.29	0.97	0.40
5. Total Disposable Revenue as Percentage of Personal Income	City	- 0.15	0.14	- 0.02	- 0.02	- 0.004	0.03	0.0005	- 0.02
	Non-City	0.08	- 0.17	- 0.09	0.08	0.24	0.11	0.43	0.34
	Total	- 0.07	0.03	- 0.10	0.06	0.23	0.14	0.43	0.32

on the other hand, has nearly tripled. When measured in per capita terms, the rate of increase for these three local non-city revenue sources have been 56.8, 80.2 and 128.1 per cent respectively. As we should expect, the growth of fuel taxation has not been pronounced. Total non-city municipal taxation has increased from $4.9 million in 1970 to an estimated $9.2 million in 1974. It is believed that its general growth in per capita terms between 1970 and 1974 has amounted to about 72 per cent. Some change in the relative importance of different local tax sources is also apparent outside of the cities. The property tax is supplying a smaller proportion of total tax revenue, as are the business and fuel taxes. The flat-rate service fee and water taxes, on the other hand, are growing slowly in relative fiscal importance. Unlike city taxation, however, non-city municipal taxation has increased during the review period as a proportion of combined provincial-municipal net revenue (1.29 to 1.42 per cent), and it has also increased in relation to Newfoundland's personal income (0.47 to 0.55 per cent).

The combined city and non-city local taxation pattern from 1970 to the present is summarized in the bottom line of Table 6-4. It is estimated that local taxation growth during the review period will produce a taxation yield of $22.9 million in 1974 as compared with only $14.8 million in 1970. In per capita terms the increase amounts to some 40 per cent. It is apparent, however, that municipal tax growth has not kept pace with the growth recorded in the Province's combined net budget nor with provincial personal income, since the former is a slightly declining proportion of the two latter aggregates. The trend patterns in respect of total local revenues, provincial contributions to all city and non-city local budgets, and total local disposable revenues are presented in Tables 6-5 and 6-6. The dollar yield of all locally-raised revenue is estimated to have increased from $19.1 million in 1970 to $29.4 million in 1974. This growth is substantial (53.7%) but is obviously lower when it is expressed in per capita terms (40.2%). Among all the municipal revenue raised from purely local sources, however, the purely city component has grown more rapidly than that of the non-city units. Indeed, the dollar yield of city revenue has grown by 60.4 per cent since 1970, while that for other local authorities has increased by only 45.3 per cent. Per capita city revenue yields have risen by 49.8 per cent, while the equivalent ratio outside of St. John's and Corner Brook has been only 31.2 per cent. It will also be noted from Table 6-5 (column 3) that during the review period, total local revenue raised by all municipalities, as with local taxation, has been declining in relation to the provincial budget, to combined provincial-municipal net revenue, and to Newfoundland's personal income.

(b) Provincial Grants

Contributions by the Province of Newfoundland in support of municipal budgets have grown from $8.9 million in 1970 to an estimated $21.8 million (144%). This amount, it should be emphasized, includes the purely provincial expenditure on behalf of city fire and police services. When expressed in per capita terms, total grants have increased from $23.00 to $52.00, or by some 126 per cent. Whereas in 1970 the Province's contribution to city budgets had reached $3.9 million ($34.00 per capita), this amount will by 1974 have grown to an estimated $6.4 million ($52.00 per capita).

Grants to non-city units in 1970 amounted to $5.0 million ($19.00 per capita) but they have since grown by more than three times to an estimated $15.3 million in 1974 ($52.00 per capita). The substantial gap which had previously existed between *per capita* levels of provincial support for the city as distinct from non-city municipalities has thus completely disappeared. An examination of Table 6-5 (column 7) will also indicate that, unlike local taxation and the total municipal revenue raised exclusively from local sources, provincial grants have since 1970 grown much more rapidly than the increase in the Province's budget, more substantially than combined net revenue and to a much greater extent than Newfoundland's personal income. In 1970, for example, total grants represented only 0.87 per cent of personal income, but in 1974 the Commission calculates that the equivalent ratio will reach 1.30 per cent. It should also be noted that whereas the Province's total contribution in respect of the cities has actually *declined* from 0.39 to 0.38 per cent of provincial personal income since 1970, its support for the non-city units has *increased* from 0.48 to 0.90 per cent of personal income.

The observed trend patterns during the review period among the three main provincial grant components (city-revenue-road grants, water-sewerage subsidies, city service expenditures and special grants) can be seen in Table 6-5 (columns (4), (5) and (6), respectively). In aggregate dollar amounts for all units, it is apparent that the growth of water and sewerage subsidies (267.6%) has been most pronounced, followed by city service outlays and special grants (121.5%), and by the city-revenue-road grants (96%). When expressed in per capita terms, the equivalent growth ratios are 235.4, 102.1 and 78.7 per cent respectively. City and non-city comparisons are also revealing. They indicate that, in actual dollar terms, provincial support to the cities by way of city grants and water-sewerage subsidies has actually *declined* since 1970. The increase in provincial costs associated with city fire and police services, on the other hand, has grown by only 77 per cent. But the total amounts distributed within each grant category outside the cities have increased by the spectacular ratios of 119.2 per cent (revenue plus road grants), 282.3 per cent (water and sewerage subsidies) and 326.4 per cent (special grants). The size of these latter ratios is due in part, but far from exclusively, to the rapid rate of new incorporations since 1970.

(c) *Total Disposable Revenue of Municipalities*

The Commission has reached the conclusion that while the total municipal budget in Newfoundland has steadily grown during the last four years, its real growth has been produced *exclusively* by increased provincial contributions to local authorities. Total revenue at the disposal of municipalities, in brief, has increased from $28.1 million in 1970 to an estimated $51.2 million in 1974. This general fiscal expansion of some 82 per cent has been more pronounced in the non-city (106%) than in the city units (61%). Total city budget trends when related to the Province's budget, combined provincial-municipal net revenue and Newfoundland's personal income, have all *declined*, relatively speaking. The disposable revenue available to non-city units, on the other hand, has *increased* during the review period in relation to all of these base indicators. Combined city and non-city disposable revenue has thus risen from 8.95 to 9.10 per cent of the provincial budget, from 7.46 to 7.86 per cent of combined provincial-municipal net revenue, and from 2.72 to 3.05 per cent of the Province's personal income.

While it is evident that the Province's grants have heavily favoured the non-city municipalities, it is equally clear that both cities and non-city units are raising from their own revenue sources a declining share of their own disposable fiscal resources. In the Commission's opinion, the discovery of this latter trend is of primary significance. Reference to Table 6-6 (column (3)) indicates that since 1970 the total revenue raised exclusively from local sources by both the city and non-city municipalities has declined proportionately to the provincial budget, to combined net revenue and to personal income in the Province. The degree of reliance on provincial grants during the review period has not altered in the case of the cities. In 1974 they are estimated to raise from local sources the same proportion (73%) of total budgetary requirements as in 1970. But in the case of non-city municipalities this key ratio has fallen from 63 per cent in 1970 to only 44 per cent in 1974. It is apparent, therefore, particularly outside the cities, that the Province of Newfoundland has in recent years been assuming an almost total responsibility for the real growth of municipal disposable revenue. *There is thus a strong presumption that the very high fiscal dependency ratios noted in the previous section with respect to local budgets in 1971 are in fact steadily increasing.*

7. Representations Received by the Commission

The Commission received many comments and proposals relating to specific aspects of local taxation and provincial grants. These representations are summarized in the next two chapters. But it received virtually no submissions proposing a strategy for municipal fiscal reform in general. The City of St. John's indicated its support for a municipal income tax on the lines proposed by the Fraser Commission in its 1972 report.

> "The City presented a brief to the Fraser Commission set up to study taxation in the City, and while the report of that Commission was not accepted by the Government, it did provide for an income tax concept of taxation to be applied on a Province wide basis, and if so applied, and subject to certain refinements thereof, the Council agrees with that concept. The Fraser Commission report also found that the present tax base used by the City contains inequities, with which finding the Council also agrees."
>
> *(City of St. John's Brief,* p. 14)

The Newfoundland and Labrador Federation of Labour made a similar proposal but offered some important additional recommendations:

> "We hold four strong views on municipal taxes. First, that the property tax is an inappropriate, outdated regressive tax for supporting municipal services. Second, senior citizens (defined according to the retirement age under the Canada Pension Plan), who have paid their share by the time they retire, should not be required to pay any municipal tax. Third, industries are not paying their fair share of municipal taxes. Fourth, municipalities should abandon property taxes in exchange for an appropriate share of federal and provincial income tax. Our members in Corner Brook are not asking

> to be subsidized in their municipal services so they can afford the luxury of open spaces and scenic vistas. But they feel that their town (like others in Newfoundland and Labrador) is not capable of supporting essential services on the available tax revenues. They do not want to opt for crowding just because the tax base is inadequate. They want more tax money from the federal and provincial governments and they want it now."
>
> *(Federation of Labour Brief,* pp. 17-18)

Nearly 25 pages of the brief submitted by the Newfoundland and Labrador Federation of Municipalities deal with the "principles of (local) taxation". Although the submission provides good general discussion of basic fiscal issues, it is not particularly conclusive regarding the basic fiscal policy which ought to be developed in support of Newfoundland's municipal growth during the decades ahead. On the question whether municipalities should be permitted access to the personal and corporate income tax fields, for instance, the Federation appears to offer its somewhat qualified approval:

> "Although some municipalities in Canada prior to the second world war levied a tax on personal incomes, this tax field has in modern times become the exclusive preserve of the Federal and Provincial governments. Because incomes are generally a most comprehensive measure (as compared to other measures of financial status) of tax payers' abilities to pay, this tax is considered to be the most equitable of all tax instruments. However, it can be most efficiently and economically administered only from the centre. It also happens to be the most lucrative of all the tax sources of government revenues, (i.e., it is the most heavily exploited) and for this reason also it is best given to application by the central government and uniformly on a nation-wide basis. To elaborate on this latter point, a uniform nation-wide tax rate is necessary in order to minimize 'tax avoidance behaviour'. On the one hand the personal and corporate income tax base is 'mobile'; on the other, the burden of taxation is heavy as a direct consequence of its ease of exploitation. Therefore, movements of individuals and industries could be precipitated if the liabilities of their income to taxes in different regions are not the same. Thus, if provinces and municipalities had full autonomy over the determination of personal and corporate income tax rates within their jurisdictions it is highly likely that inter-provincial and inter-municipal tax rivalries would result. The general view is that such competition would not be in the social interest.
>
> The municipal chorus in recent years has been mounting for a share of the personal and corporate income tax field. Their demands are undoubtedly justifiable. However, it is not yet clear how their sharing of this tax field might best be effected. The main obstacle that is proving to be a difficult one to resolve centres upon the above-mentioned mobility of the tax base. For instance, an individual tax payer may in the course of a year move from one municipality to another. These movements inter-municipally and even inter-provincially are difficult to monitor. A second problem is the one posed by a multi-plant firm or business enterprise that operates on a consolidated single enterprise financial accounting basis.
>
> Due to the fact that the income tax most closely approximates the principle of ability to pay, this tax is the most suitable one for

> effecting a policy of redistribution of income especially through a progressively structured tax rate. Again, this is an operation that ought to be performed mainly on a national basis. With the continuing expansion over time of the definition of income (e.g., to include capital gains, etc.) the propriety of the income tax as an instrument of income redistribution becomes enhanced. However, it should also be noted that these expansions (or improvements) in the definition of income constitute an infringement upon the viability and lucrativeness of other tax instruments. To the extent that this might have a negative impact on the potential exploitability of tax sources at the local level, the idea of the senior governments allowing local governments a share of the income tax field becomes all the more justifiable."
>
> *(Federation Brief*, pp. 23-25)

The Federation's brief rejects on principle the use of a general sales tax at the local level, but appears to suggest the inevitability of using consumption taxes of some description in order to meet municipal fiscal needs:

> "It (i.e., the general sales tax) would be regressive not only as it applies to individual tax payers, but also as it applies to individual municipalities for the 'poorer' the municipality, the higher the likelihood that the residents of those municipalities (would) make their purchases elsewhere. It also follows that this particular tax instrument applied in the manner indicated above would not meet the criteria of 'responsible taxation'. That is to say, local councils would tend not to be closely held to account by their local electorates for the manner in which they disbursed the funds, for the local electorate will tend to view these funds as coming out of the provincial coffers (which is always fair game, as the popular illusion would have it) rather than out of their own pockets (which is in fact the case). Nonetheless, even though this is an inferior method of raising tax revenues for local purposes, it should not be ruled out of hand, for the revenue raising opportunities at the local level in Newfoundland are, to say the least, not very prospectful. A propos of the preceeding comment, we take this opportunity to emphasize to the commission that the chief impediment to the effectiveness of local institutions in Canada, and no less in Newfoundland, is that the local tax bases are by and large comprised almost entirely of inferior revenue sources. This is the single, most important focus for the Commission's deliberations."
>
> *(Federation Brief, pp. 26-27)*

Then the brief proceeds to request consideration of selective sales taxes in the following words:

> "Three items in particular merit consideration under this topic; sales taxes on electricity, gas, fuel oil and coal; sales taxes on alcohol and tobacco; and sales taxes on entertainment. Discussing each of these items in turn, taxes on electricity, gas, fuel oil and coal have equally strong arguments pro and con. Consideration that favour these taxes are first, that they are easily administered through the vendor; second, that they are inexpensive to administer; and third, that they are virtually impossible to evade. These characteristics, as noted earlier, are several of the main attributes

of a'good' tax instrument. The problem however, is that taxes on electricity and heating fuels which are consumed residentially are in fact taxes on necessities and furthermore tend to be extremely regressive. The consumption of these commodities tends to be relatively insensitive to variations in income. The lighting and heating needs of rich and poor do not differ greatly, and to the extent that the dwellings of the poor tend to be less well constructed and insulated, the consumption of energy by the poor for heating purposes tends to be comparatively greater on a comparable basis. Nor is it administratively feasible to exempt the poor from the application of these taxes, for the income status of the individual consumer can not be discovered with out considerable effort. However, these utilities are all differentiated by use (i.e., residential, commercial, industrial and farm). It may therefore be judged desirable to apply a sales tax on these four categories of energy to the non-residential consumers. Furthermore, in the case of electricity the municipalities could be given the power to set their own tax rates for not only is this commodity consumable (i.e., purchasable) only on site, but also the utility billing records identify each consumer by municipality.

On the second point, sales taxes on alcohol and tobacco are not given to local application for similar reasons as those outlined under the general sales tax. However, there are two reasons for mentioning this tax instrument in our brief: one is that taxes on these commodities are a very lucrative source of tax revenue (as are most taxes on vices) and second, a strong possibility exists, on the evidence of recent evocations by the Federal Government, that there is 'bargaining room' for negotiating the vacation of this field by the Federal Government. It is our considered opinion that the Commission should press this point home in its recommendations to the Provincial Government. Sales taxes on tobacco and alcohol, we feel, could form the single best basis for a system of provincial municipal grants in all provinces in Canada. If the Federal government vacated these fields in favour of the provinces, and if these fields were ear-marked for the purpose of provincial municipal grants programs, the municipalities in Canada would be assured of an adequate, reasonably predictable and reasonably elastic source of revenue to meet the growing expenditure requirements over time. The consumption of alcohol in particular, is highly income elastic, a characteristic that is conspicuous by its absence in local tax fields. The consumption of tobacco, on the other hand, is insensitive to regional variation, an important consideration on grounds of interregional equity. Therefore, if ear-marked for this purpose, sales taxes on tobacco and alcohol could form the basis of a single, most adequate, and eminently suitable fund for the design of a provincial-municipal grant system for each province. Lastly, sales taxes on entertainment (e.g., theatres, etc.) are perhaps the only sales tax in which the positive considerations for application locally outweigh the negative ones. Most entertainment facilities provided on a commercial basis are located in and around the 'urban core'. However, they service a large catchment area, that is these facilities are frequented by residents and non-residents alike. To the extent that these 'commodities' are consumed on-site, the people who indulge in these forms of consumption make use of various services provided by the municipality in which the entertainment attraction is located. By levying an appropriate sales tax therefore, the municipality exacts an appropriate compensation. In effect, then, a sales tax on entertainment possesses the attributes of a user charge and is justifiable on similar grounds. It is easily and inexpensively administered and 'unavoidable'. Despite the fact that this source does not yield a great amount of revenue for all municipalities, all municipalities should have the power to levy this tax locally."

(Federation Brief, pp. 27-29)

The following excerpts from the Federation's proposals regarding the real property tax, poll taxes and service fees, and the automobile tax are of considerable importance:

"The Real Property Tax

Real and personal property taxes originated approximately with the origin of government: they are no doubt the most venerable of local taxes. The predominence of real property taxes as a source of local government revenue is directly related to one of the tax's key features, tax base immobility.

A majority of local services, financed by property tax revenues, are site oriented; that is, the value of such public services as fire stations, police precincts, neighbourhood parks, neighbourhood schools, sewage disposal, and refuse collection is usually capitalized in the surrounding real property values.... In general, much of the benefit received by citizens can be taxed by levying liabilities on real property.

The link between real property tax burdens and benefits received from local government services holds for commercial, philanthropic, religious, and agricultural property owners as well as residential property owners. Real property taxes as similarly valued real property assets do not ordinarily discriminate between differences in owners' ability to pay. And, in general, real property holdings are a poor proxy for ability to pay since debt liabilities are ignored.*

The key basic attributes of the property tax are succinctly summarized in the above quotation. As explained earlier, unless the boundaries of municipalities were regulated by a set of 'customs barriers' to monitor the movements of goods and services and people across these lines, the problem of mobility of the tax base (tax avoidance behaviour) renders most tax bases unsuitable for exploitation at the sub-national, and more particularly at the sub-provincial, level of governments.

The institution of the private ownership of real property is basic to the concept of a tax on real property for real property constitutes an important and valued asset and reflects in some measure the income status of the owner. It therefore follows that a process of valuation or assessment of these assets is a core issue. It is a strong tenet of Western democratic fiscal beliefs that each individual's contribution to government ought to reflect his wealth position. Therefore the prime necessity is that the extent of every individual's holdings of real property assets be known, and second that some definition of value be developed. The most convenient definition of course is the barometer of market value, which concept of course, is operationalized by the existance of willing buyers and sellers. In the 'outport communities' these two prerequisites are not readily met. A clear-cut definition of the extent of holdings on the one hand and then of reckoning the value of these holdings on the other is often lacking. It may be difficult to devise a system that would not run afoul of the twofold criteria of fiscal justice and equality. The extremely complex problems of assessment therefore probably prevent the applicability of this fiscal instrument on a universal, province-wide basis. This has important implications, for the property tax is claimed to be the single most suitable instrument of taxation for application at the sub-provincial level. As noted in the above quotation a tax on real property is a particularly suitable instrument for financing the provision of property oriented services. Used for financing the provision of these services the property tax is judged to be not only equitable but also 'progressive' to the extent that the cost of provision of property-oriented services to each property usually does not vary with the value of each individual property. This means that the wealthier property holders contribute proportionately per unit of property-oriented service 'consumed', than do the holders of the less valuable property.

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*Werner Z. Hirsch, The Economics of State and Local Government (McGraw Hill Book Co.) 1970, pp. 95-97.

A generally popular misconception, which gains importance in an increasingly mobile society with a higher preference for tenancies, is that tenants escape the net of the real property tax for the tax is assessed against a property and therefore the burden falls on the owner of the property and not on the occupier. The assumption here is that the owner in fact carries the burden of the tax, that he does not shift the burden backwards on to the occupier. This assumption of course is false, as is most poignantly illustrated by 'land-lords' justifications for upping rents. Increases in liabilities in respect of the tax on real property are often cited as the reasons for raising rents.

On an additional point, and one that has been touched upon earlier, it should be noted that in application to commerce and industry, there are several major problems that make it difficult to achieve an equal treatment of equals according to the benefits they derive from local services. The basic nature of the problems can be inferred from the previous discussion on extractive industry taxes.

To put it in general terms, a (commercial and industrial) tax on real property discriminates against capital-intensive business activities; or to put it into a truer perspective, those business activities that are not capital (real property) intensive 'escape' (do not pay a fair share of) real property tax. Perhaps the two most important cases are trucking operations which operate out of a 'residential' headquarters, and taxi-cab companies, which operate out of a telephone-booth office. Powers to assess vehicle levies (i.e., through permits) may be a good and proper means of exacting an appropriate contribution.

To sum up, it merits emphasis, and the quotations at the outset of this section bring this out very clearly, that the property tax is most suitable for financing property oriented services only. Conversely, the use of this form of taxation for non property oriented services (amenities) lacks sound substantiation. Therefore, since expenditures on property oriented services account for the greatest part of municipal expenditure outlays, it is argued that the real property tax is a good and proper tax for local purposes and that all municipalities should have the power to use it. In awareness of the resistance, however, to its general adoption in Newfoundland, other alternatives must be explored. It would appear that the only reasonable second best alternative to the tax on real property as a means of financing property oriented services are instruments such as water and sewerage levies and frontage charges which would seem to be more or less suitable means of financing property oriented services.

Poll Taxes

In its 'pure' form, a poll tax is levied at a flat rate against each and every (adult) individual regardless of circumstance. Although this instrument of taxation once enjoyed wide spread usage it has virtually gone the way of the dodo. There are many marks against it. It is relatively costly to administer, it is generally one of the most popularly resented forms of taxation; and in a highly mobile society with an increasingly great proportion of tenancy occupiers it is plagued by a high potential for 'evasion'. It virtually necessitates the taking of an annual census and in the final resort the only method of forcing compliance is the threat of the 'common goal'. On this account the political spectre of a latter day Henry David Thoreau essaying forth on the theme of Civil Liberties hangs heavy in the air. Furthermore, since poverty and love of children seem to be highly correlated, the incidence of the tax is highly regressive. While jailing the poor for their delinquency might seem to be a most effective means of birth control this won't produce any revenue. A poll tax in its pure form would therefore merit consideration only in the most desperate and trying of circumstances.

The foregoing notwithstanding, there are some mitigating circumstances favouring its consideration in Newfoundland. The 'local service fee', which is a variation on the theme of the poll tax, avoids some of the major drawbacks. Nonetheless, this is not a 'good' tax.

Automobile Taxes

Automobiles have had and continue to have a considerable effect on the functions and costs of local governments. As a result it would seem both reasonable and fair that some of the associated costs be recouped through a tax on automobiles. Furthermore, it is administratively possible to differentiate the amount of tax to be levied by year and number of cylinders of the automobile. This would tend to some extent to make that tax less regressive. Regardless of how it is applied though, a tax on automobiles, at a moderate rate would seem to have some merit. However, it is not likely to become a 'popular' tax in the view of the paying public nor is it a great potential source of revenue. Although easily administered, it is difficult to 'police' and for obvious reasons, the 'policing' difficulties increase in proportion with increasing rates of tax. On the other hand, the yield of revenues from this source is meagre after costs are netted out. It is suggested that the Commission give attention to these and the nuisance aspects of this tax."

(Federation Brief, pp. 32-37)

Finally, apart from some useful comment on the shortcomings of personal property and the stock taxes, the Federation concludes with reference to the importance of user charges as a source of municipal revenue in future years.

> *"User Charges*
> There seems to be a growing consensus of 'opinion' among public finance specialists that local taxes should be benefit-oriented and that the ability-to-pay principle of taxation in matters of local finance be de-emphasised. The sentiment stems from the emphasis on the income redistributive objective of the ability-to-pay principle. This objective, the argument continues, can best be performed by the higher level(s) of government. According to this view, the amount of income that should be redistributed to the lower groups should be such that it takes into account the costs of benefits provided to these consumers by local governments. Local services could then be priced out to the local consumers in accordance with the quantities consumed (i.e., benefits enjoyed). In other words, each of the public goods and services provided locally, would be provided through a quasi-market price system. Each individual consumer would tailor his consumption expenditures on these goods and services objectively on the basis of his knowledge of the cost (price) to him. Through this means, the public decision makers responsible for determining how much and what quality of a particular public good to provide would have a sound basis for making a decision. In the same way that the goods producer in the private sector is guided in his production decisions by the intensity of consumer demand operating through a market system, the presupposition is that the public good decision maker, who prices his 'product' out at cost is 'informed' both as to the quantity and quality of the public good that the community desires. This particular aspect of the thesis is a bit shaky. First, consumption of these public commodities tends to be income inelastic (i.e. consumption does not vary with variations in income). Second, the 'market' cannot really work in the commonly understood sense; for, as explained earlier, increased consumption of a public good by one individual does not decrease the amount available for consumption by other individuals, and as a result increased consumption demand relative to supply will not generate increasing prices which in the private good case is the means through which the private goods producer is signalled to step up his rate of production. Therefore, the instrument of user charges will not provide the public decision maker with information on what the 'demands' of the community really are. In fact, given the two essential properties of public goods, an exclusive reliance on user charges for the financing of certain public goods and services may well result in a perversity. If each utility type service were financed on a user charge basis each individual consumer in the community would know exactly the cost that he would have to bear for the provision of a particular service. Costs, measured precisely in dollars and cents always have a heavier impact than benefits, measured subjectively in terms of anticipated comforts, happiness, etc. This could result in a suboptimal provision of the public good or service,

> a character trait of the town-hall meeting (athenian democracy) model of local government. Cost minimizing traits in the human psyche tend to predominate over hedonistic ones. Therefore, it logically follows that if the information on costs was less precise, negative voter reaction to a proposed investment in a service that is obviously of benefit to the community, if perceived in a total community context, would be moderated. In this sense then one of the advantages of using a real property tax to finance the provision of public goods and services is that it obfuscates the cost information to each particular taxpayer. This lends a 'congame' aspect to the act of decision-making, but this may have some value. In designing a local tax system for Newfoundland, the Commission may be well advised to keep this point in mind.
>
> The foregoing notwithstanding, the instrument of user charges nonetheless has considerable merit. In those parts of Newfoundland where the property tax is either not being used, or at least for the present time is 'infeasible', the financing of property-oriented services can best be distributed through user charges in accordance with the degree to which each property benefits from the services. Given the nature of settlement patterns it is clear that not all properties will benefit in the same degree, although this is not to say that properties that are not 'hooked-up' to services don't enjoy any benefits. But perhaps an equally important point is a 'political' point. There is some evidence to indicate that there has been a lack of appreciation for the burden of responsibility that devolves upon the community as a necessary consequence of the creation of local political institutions. There is a fundamental difference between meeting the social needs of a community through the institutions of local self government and meeting these needs through provincial 'crown corporations'. The former carries with it the onus of responsibility for 'local' decisions on matters of tax policy. The perception of public goods as 'free' goods provided by a remote central government, and therefore funded out of somebody else's pocket must be eradicated. This is a harmful delusion. User charges are a strong pin to prick this balloon to the end of creating a better understanding of the nature and true purpose of the institutions of local self-government."

Finally, one individual appeared at the St. John's hearings to provide a root-and-branch criticism of the real property and fuel taxes. He too favoured municipal use of the income tax along lines recommended in 1972 by the Fraser Commission.

> "In 1776, Adam Smith in his '*Wealth of Nations*' produced a list of criteria for good taxation. These are as valid today as they were then, and are as follows:
>
> 1. taxes should be equitable.
> 2. taxes should be certain and not arbitrary.
> 3. taxes should be convenient as to the time and manner of their levy.
> 4. taxes should be economical.
>
> I would like to review our present city tax system in respect of the above to show that it cannot meet these tests. Chiefly, I would like only to cover property taxes and fuel oil taxes, as these have the greatest impact on the taxpayer. The present property taxes are

> possibly the most inequitable taxes ever devised by a government. The property tax takes no account of a person's ability to pay, in fact, low income people, who often rent accommodation, pay much greater taxes both in absolute and relative terms than middle or high income people. This produces real hardships and often prevents people from acquiring their own homes. There has been no evidence to suggest that these people receive any greater benefits from the city or that they are better served. Also, the property tax does not generate any revenue from commuters who work in the city, shop in the city and enjoy its recreational facilities without ever putting one cent into the city treasury.
>
> The property tax is by no means certain, as a city assessor can revalue a property at will almost. There are no published guidelines as to how an assessment will be carried out, and the only test of certainty is the knowledge that one's neighbours are being taxed at the same rate.
>
> The property tax is not convenient in that payments are made semi-annually unlike say, the income tax, which is collected at the same time that one receives his remuneration from his employer. Finally, it cannot be said that the property tax is economical to collect, as the collection depends upon the ability of the city to identify assessable property and changes in rents, neither of which is furnished automatically to the city tax office. Nor does it provide automatic increases each year to cover increasing costs.
>
> Much of the foregoing can be said about the fuel oil tax, which is even more discriminatory than the property tax. It is almost inconceivable that a city, the size of St. John's, should be dependent for its revenue on whether we have a mild winter or a cold winter, and that a substantial number of citizens should be able to lower their tax bill merely by heating their premises without using fuel oil. Again, this tax catches lower income people, as many of their homes are equipped with oil heating units.
>
> The business tax serves no purpose other than to raise the price of goods to consumers. It appears to be a form of painless extraction. It is my recommendation that the city change its tax structure to only one tax, based on income, which would be applied at full rates to residents of St. John's, and at a reduced rate to commuters. The tax could be applied at source through payroll deductions by employers, and need not involve the Federal Government. This one tax could replace the property, fuel oil, business and amusement taxes."

3. Conclusions and Recommendations

(a) *Municipal Income Taxation*

The fiscal resources needed to sustain current local government operations and to provide for their future development must be obtained both from municipal sources and from senior government contributions. Ultimately, however, whichever level of government actually imposes and collects it, such revenue must originate as a levy upon the income of citizens. The taxation of that income may be imposed directly on wages, salaries, unincorporated business and corporate earnings, transfer payments to persons, interest, rent and dividends. Secondly, when income flows are converted *to wealth (i.e., real and personal property, business plant, inventory and equipment, personal investment and savings), its values may then be taxed to provide public services. Thirdly, when income or wealth is converted to use or enjoyment, the resulting consumption transactions may also be taxed in support of public programmes.*

The taxation of income directly in Canada is within the legal competence of both the federal and the provincial governments. Technically, therefore, the Province of Newfoundland could in strict law authorize its municipalities to enter the personal and corporate income tax fields if they wished to do so. Municipal use of this tax, as it is applied to individuals, could take one of three different possible forms:

(a) imposition and collection of income taxation by each municipality at its own discretion;

(b) imposition of the tax at the discretion of the municipality but collection to be in the hands of the Province, possibly as a surtax on the existing provincial income tax, the latter being (as we have seen in Chapter 3) itself a surcharge on the federal personal income tax;

(c) imposition and collection by the Province as the municipal element of a shared provincial income tax, in which case the tax yield would accrue to local authorities as an annual grant rather than as a direct tax contribution.

Because of the substantial income variations among municipalities, the first option would either produce variable yields at any given rate level, or a veritable jungle of local rate differentials and exemption patterns. A severe local tax competition would likely emerge with negative economic consequences. Except in the largest municipalities, moreover, efficient local use of this form of the income tax would appear to be prohibitive. Options (b) and (c), on the other hand, have received serious consideration in recent years as an appropriate supplement to existing local revenue systems. It has been argued that regardless of how it is administered, the tax could be applied in accordance with either a flat or a progressive rate schedule, and that a province-wide definition of the tax base would establish a common pattern of exemptions and deductions. If option (c) were considered (i.e., the shared-tax proposal), it would be possible to impose a uniform rate structure in all municipalities across the Province and then to distribute the proceeds of the tax to them in accordance with their local needs rather than in terms strictly of the origin of municipal income tax yields. It has also been suggested that option (c), because it involves provincial-municipal sharing of the income-elastic income tax field, has an advantage over conventional unconditional grants to municipalities in that its proceeds would tend to rise, given a constant rate level, with the growth of income. (In passing, we note that since the late 1960's in Newfoundland, however, grants to municipalities have grown three times faster than the growth of income.)

Another related fiscal proposal which has received some attention in Canada recently is a payroll tax for local purposes. Under this form of levy, an annual flat or progressive rate of tax is imposed on the wages and salaries of employees of business firms within each municipality. This tax is productive if there is a substantial amount of local employment in business enterprises; its yield also tends to increase automatically as income rises.

Municipal income taxes were employed in Canadian provinces for more than 100 years. Between 1830 and 1941, nearly every province had authorized its local authorities to use this mode of taxation in some form. Under the terms of the Wartime Tax Agreements signed by all provinces with the Government of Canada in the latter year, however, municipal income taxation was universally terminated. Despite increasing recent demands by Canadian local leaders that municipalities be authorized to re-enter the income tax field, no Canadian province has agreed to such a proposal. And no post-war Canadian provincial royal commission on municipal finance, except the Royal Commission on Taxation and Revenue of the City of St. John's, has recommended local use of the income tax field. In February, 1972, the latter Commission recommended that the existing local tax system in St. John's should be completely restructured. It proposed that, in lieu of the city's present use of real property, business and fuel taxes, there should be substituted a proportional (flat-rate) tax on personal income and business profit, with virtually no exemptions or deductions. The actual income and business earnings tax rates proposed in the report were as follows: 2.3 per cent annually for city residents (i.e., "persons whose principal residence is in St. John's") eligible for local taxation; 1.1 per cent annually on all non-residents employed full-time in St. John's; and 4.6 per cent annually on all city business profits. We cite below the Commission's definitions of personal income and business profits:

> "Personal income be defined to include wages and salaries, commissions, tips and gratuities, pension benefits, unemployment insurance benefits, adult occupational training allowances, alimony payments and income from investments." (Recommendation 19)
>
> "Business profit be defined as the net profit of an unincorporated or incorporated business enterprise before the payment of federal, provincial and municipal taxes, but after the deduction of all other operating expenses as allowed under federal-provincial income tax regulations." (Recommendation 20)

The Commission's proposals were not accepted by the Government of Newfoundland. (Its 51 separate recommendations are listed in Appendix I, below.)

Municipal income taxes are now used by local governments in only 10 of the American states, usually at the low flat rates recommended above for St. John's and with no exemptions generally allowed. In a few U.S. cities, a progressive rate schedule is authorized (e.g., New York, Wilmington and Washington). In most cases, as well, the tax is administered by state governments on behalf of their municipalities. In Sweden, a municipal income tax is the principal source of local government revenues; in Japan and Italy the tax is also employed locally. It has been alleged that the use of the municipal income tax is growing in several countries.

This Commission does not, however, recommend the use of a municipal income tax in Newfoundland. It believes that the interest of public policy is best served if this already heavily exploited tax source is retained for the exclusive use of the senior levels of government. In the first place, federal and provincial authorities, in our opinion, should be accorded maximum *"tax room" with respect to personal and corporate income taxation in order more effectively to pursue their primary economic stabilization and income-redistribution functions. Secondly, it was shown in Chapter 3 that Newfoundland's economic and income bases are decidedly limited by Canadian standards. The potential yields of income taxation in the Province, for this reason, are comparatively low yet are frequently over-estimated.* Because of recent budgetary changes involving an increase in the Province's personal income tax from 36 to 40 per cent of the federal income tax, Newfoundland now finds itself with Manitoba (42.5%), New Brunswick (41.5%) and Saskatchewan (40.0%) as one of the provinces with the highest combined federal and provincial income tax rates in Canada. Some indication of the difference in provincial income tax rates is suggested in the following comparison:

Taxable Income	**Combined federal and provincial marginal personal income tax rates**		
	Ontario	**Nova Scotia**	**Newfoundland**
	%	%	%
$ 1	4.58	5.78	6.00
1,001	24.80	26.32	26.60
5,001	30.02	31.86	32.20
11,001	38.91	41.39	41.85
24,001	48.95	52.07	52.65
39,001	56.12	59.56	60.20
60,001	61.34	65.10	65.80

Source: Canadian Tax Foundation, *Provincial and Municipal Finances*, 1973, p. 82 (as adapted to allow for Newfoundland's increase in personal income tax in 1974.)

Because its rate is progressive, the rate of combined federal-provincial personal income taxation increases as taxable income rises. Clearly, the Newfoundland rate is above those currently applied in Ontario, British Columbia, Prince Edward Island, Alberta and Nova Scotia. After allowing for standard tax deductions, the actual income taxes levied in accordance with the above rates on a married tax payer with two dependent children are as follows:

Assessed Income	**Combined federal and provincial taxes payable**		
	Ontario	**Nova Scotia**	**Newfoundland**
$ 5,000	$ 121	$ 134	$ 137
7,500	757	810	820
10,000	1,475	1,572	1,590
15,000	2,246	2,390	2,417
20,000	3,110	3,308	3,345
30,000	9,649	10,264	10,379
50,000	20,079	21,330	21,577

Source: Ibid., p. 83

The Commission estimates that at present each additional percentage point increase in Newfoundland's personal income tax generates only $1 million in new revenue. If the entire estimated yield of the municipal real property tax during 1974 ($10.4 million) were to be fully displaced by a municipal income tax, the Province's personal income tax rate (expressed as a percentage of the federal tax) would have to be increased from its present high level of 40 per cent to over 50 per cent. Furthermore, if all of Newfoundland's principal municipalities were currently using property taxation and obtaining tax yields from it at the level now prevailing in New Brunswick's municipalities ($25.0 million), the displacement of such local taxes with an income levy in Newfoundland would require a provincial rate of almost 65 per cent. In its 1967 report the Ontario Committee on Taxation noted that in order to raise an amount of revenue equivalent to the yield of local real property taxes, the Ontario government would be required to double *all* of its provincial tax rates. *Unless, therefore, other provinces allowed their municipalities access to the income tax field in an equivalent manner, Newfoundland's provincial income tax would be forced badly out of line with tax rates in its sister provinces.*

There is, of course, absolutely no evidence that any other province in Canada intends to allow its municipalities access to the personal income tax field. All the indications, indeed, point in quite the opposite direction. In its recent report on local government finance in New Brunswick, for example, the provincial Task Force gave as its "considered opinion",

> "that the personal income tax, as a direct taxing instrument available to municipalities, should not be contemplated for New Brunswick in the immediate future. That is not to deny the potential for indirect support of municipal government from the Province's use of the income tax source. We are at the same time thoroughly convinced of the necessity to reform real property taxes in their present provincial and municipal roles."
>
> (*Report of the Task Force on Municipal Structure and Financing*, Province of New Brunswick, 1972 p. 29)

Much earlier, the *Ontario Committee on Taxation*, after a thorough investigation of the matter, concluded that:

> "to introduce a municipal income tax in Ontario at the present time would be folly. If it happens that local governments are reorganized into larger units, which would be better able to administer such a tax, this matter might well be reviewed, but even in these circumstances we have considerable doubts about its advisability. Municipal sharing of the provincial income tax must be viewed essentially as a grant programme and considered in that context."
>
> (*Vol. II*, 1967, p. 375)

In most jurisdictions, and not only in New Brunswick and Ontario it may be added, provincial governments have moved to broaden the base of municipal real property taxation, to institute grants in lieu of local taxation, to improve the quality of tax assessment practice, to substitute market for rental value in real property assessment, and to decrease the regressive aspects of real property taxation by discrimination in favour of residential and farm properties. However questionable these activities may appear to some commentators, there can be no question that in fact they are taking place in most provinces.

This Commission's rejection of the income tax as a suitable general fiscal instrument for Newfoundland's municipal governments, however, is grounded in other, more fundamental reasons than merely the current practice prevailing on the mainland. We note, for instance, a number of unresolved technical questions relating to municipal use of income taxation and of payroll levies. Do municipal income taxes favour the larger, more developed and more prosperous communities and, as a consequence, force the senior government into *elaborate* programmes of equalization grants on behalf of the less developed and less prosperous units? But if the main reason alleged in support of a provincially administered municipal income tax is the ease with which its proceeds can be distributed in order to achieve equalization, how then is the proposal to be considered an improvement when equalization can be achieved with much greater ease under existing grant arrangements? Would the imposition of municipal income taxes favour unduly certain groups and impose a hardship on others? (It has been suggested, for example, that low-income renters would be severely burdened by a local income levy, since they would be faced with additional direct taxes on income and the probability that rent levels would not fall.) Do businesses in fact shift forward the gains resulting from lower property-based levies? Should a municipal income tax, as recommended by the Royal Commission on Taxation and Revenue of the City of St. John's, be imposed on commuters and at what rates as compared with resident tax payers? Are commuting employees in fact subsidized at present by municipal ratepayers? Does the cost of local services provided on behalf of the former exceed their actual contributions *via* the business levy and user charges? In the local authorities of the United States where municipal income taxation is used and is sometimes imposed on non-residents, there are no conclusive answers to questions of this type. Nor is there any authoritative analysis on the relationship between taxation of non-resident income and the costs of tax administration or compliance. In the case of the St. John's inquiry, these and other questions were apparently not studied in any rigorous manner. The tax on non-residents was simply recommended at a rate equal to one-half that to be imposed on residents, with some concession to those who were employed in the city on a part-time basis. The great variation in practice with respect to American municipal income taxation technique, upon which the St. John's proposal was modeled, suggests to us that there are many unresolved questions associated with its actual use. Any firm proposal respecting its suitability for local purposes would require extensive investigations of these and many other matters.

Additionally, there are a number of purely political — as distinct from essentially economic — reasons which prompt our rejection of a provincially imposed municipal income tax. These reasons arise from our acceptance of the mutually reinforcing goals of local fiscal responsibility and local autonomy. Local fiscal responsibility is likely to be fostered, we contend, when municipal authorities to a considerable degree are required to finance public goods and services through the imposition of taxes on those who benefit directly from them. Local autonomy is a principle which in operation enables the residents of an incorporated community to determine by majority decision what collective goods or services will be provided in their area. We recognize, of course, that a "pure" practice of fiscal responsibility and local autonomy is in today's world impossible. If all local functions were to be assumed by the Province, at one extreme, there would be a tendency for "common" local services to be supplied independently of the wants of particular communities. If total responsibility for all local services were to be delegated to municipalities, on the other hand, the result would favour unduly the larger, more prosperous and more aggressively self-reliant communities. We favour the middle course between no delegation and total delegation. Like the *Ontario Committee on Taxation*, we propose a strategy that,

> "By minimizing the functions performed solely by the provincial government, by giving local governments the opportunity to enrich, at local expense, programs financially supported by the Province to a minimum standard and by an appropriate mix of provincial grants designed to equalize and supplement local tax revenues, local governments can be given a high degree of autonomy and fiscal responsibility while avoiding many of the pitfalls of complete delegation of provincial responsibility."
>
> (*Ontario Committee on Taxation*, Vol. II, p. 4)

We also accept the Committee's criteria regarding the most appropriate forms of local taxation power which should be delegated to municipal governments:

> "The tax source or sources to which local governments are given access should, ideally, have the attributes listed below:
>
> (1) It must be possible for local authorities to impose rates of tax that differ significantly from area to area without engendering widespread evasion or massive shifts of resources from high to low tax rate areas.
>
> (2) Changes in local tax rates from year to year by small amounts must not result in great delays or confusion or impose heavy administrative costs.
>
> (3) In all but the poorest areas, local governments should be able to finance the provision of public goods and services that would satisfy the residents' most exacting demands if they are willing to pay high local tax rates.
>
> (4) The tax should not provide a means whereby the residents of one area can tax the residents of another in order to finance more collective goods for themselves.
>
> (5) Administration and compliance costs must be moderate.
>
> (6) Local residents and their representatives must be able to determine the cost, in terms of higher tax rates, of a proposed increase in local government expenditures.
>
> (7) Most of the constituents of most local governments must accept the tax as a generally fair method of allocating the costs of local government."
>
> (*Ibid.*, p. 5)

These are, admittedly, specifications for an ideal world of local taxation. And we must settle for much less than the ideal. Following the practice in most English-speaking nations (e.g., Canada, the United Kingdom, the United States, Australia, New Zealand and Ireland) and being fully aware of its many shortcomings, we thus propose that general use of the real property tax should be considered as the most appropriate and the principal fiscal instrument for the second phase of Newfoundland's municipal development. The Commission turns its attention, therefore, from income taxation to the main levies on wealth and consumption.

(b) *Fiscal Criteria for a Municipal Revenue System*

The Commission points out that various criteria are available against which to test the suitability of any specific revenue source or the particular mix of taxes used in any local government jurisdiction. The Royal Commission on Taxation and Revenue of the City of St. John's, following the earlier work of the *Ontario Committee on Taxation*, proposed a number of these criteria. In the *St. John's Urban Region Study* (Financial Report, No. 4A) these criteria are described under the headings of (1) feasibility, (2) fairness, (3) efficiency and (4) responsiveness. The latter Report describes each of the criteria and summarizes the Royal Commission's earlier evaluation of the existing revenue system in St. John's and its surrounding territory. Since this appraisal constitutes a very concise and effective analysis of the local revenue system now generally used in Newfoundland, we cite below excerpts from the report:

> "Briefly, *feasibility* refers to revenue sources being both available and suitable for municipal use. Many potential revenue sources are not available to municipalities due to constitutional restrictions or provincial edict. Others may be potentially available but are not really suitable for municipal use; suitability refers to municipalities having the ability to collect and having control over the amount of revenue to be collected.
>
> *Fairness* or *equity* can be defined and applied in two opposing ways. First, under the benefits received principle beneficiaries of municipal services contribute according to the benefits they receive. This payment for services received is analogous to operation of the private market economy. And secondly, the ability to pay principle states that payments should be related to the taxpayer's ability to pay. Income is generally regarded as the best indicator of ability to pay and it is usually felt that ability to pay rises with income, i.e., a taxpayer with a high income has proportionally more taxpaying capacity than does a low-income taxpayer.
>
> *Efficiency* has four aspects: sufficient yield, cost of collection, municipal efficiency and economic efficiency. A revenue source (or system) should generate enough revenue to finance the expenditure requirements of the municipality. Further, it should do so at reasonable costs of administration, collection, and compliance. It should also encourage efficiency in the ways that municipal services are provided. Finally, it should encourage efficiency in the allocation of economic activity and growth.
>
> *Responsiveness* refers to the way the yield from a revenue source varies with changes in aggregate economic activity. Generally, a revenue source which responds automatically to economic growth is preferred to one which requires changes in rates to secure the same increase in revenue. . . .
>
> The Commission's findings led it to be highly critical of the present revenue structure in the City of St. John's. The following quotation from the Commission's report summarizes its conclusions:
>
> > 'Although it is unlikely that all will agree with each of the ratings given above, the evaluation leaves little doubt that the present revenue system in St. John's is highly inadequate in a number of ways.

> The most serious shortcoming is in terms of equity, where the only satisfactory element is found in the service charges which embody the benefits-received principle; but they account for only a small portion of total revenue. For this reason also, the present system does little to encourage municipal efficiency.
>
> The inequity of the city's own revenue sources, along with the fact that too heavy a burden is placed on them because grants are too small, tends to drive economic activity out of the city and interfere with economic efficiency.
>
> In addition, the system is largely unresponsive to rising incomes, forcing the city to either revalue the base or increase the rates if it is to continue receiving the same share of incomes; needless to say, neither step is popular, a fact which largely explains the evident reluctance to properly reassess owner occupied properties or to change the tax rate. Although this evaluation indicates that several components of the system have produced sufficient yield in the past, rising future requirements make it highly doubtful that such an unresponsive system will continue to produce sufficient revenue.
>
> Finally, there is also evidence that present arrangements for administering several service charges might be considerably improved.'

It seems clear that basic changes will be required if St. John's is to be given the kind of revenue system it needs.

The Commission only rates the property tax in the city as good in terms of feasibility, sufficient yield, and cost of collection; it is only fair in terms of economic efficiency; and it is judged poor in terms of municipal efficiency and responsiveness, and against both the equity criteria or ability to pay and benefits received; in other words, it is highly inequitable.

The business tax and the fuel oil tax receive identical ratings with the property tax except that both score poor (rather than fair) against the criterion of economic efficiency.

The other taxes — the hydro revenue tax, the entertainment tax and the telephone tax — the so-called water tax is treated here as a service charge — receive even worse ratings than the property, business and fuel oil taxes. The Commission concluded that these are 'nuisance taxes in view of their small contribution to city revenue'.

(Report of the *Royal Commission on Taxation and Revenue of the City of St. John's*, pp. 139-140)

The Commission next turns to service charges, classifying these into two categories — self-sustaining and subsidized. Charges for water supply, parking, utility connections, local improvements and other miscellaneous services are treated as self-sustaining. Public transportation fare revenue is the only subsidized service charge.

With respect to self-sustaining services, water and parking charges received fair or good ratings against all of the criteria except ability to pay and responsiveness. The conflict with ability to pay arises since the charges for these services correspond reasonably closely to benefits received; the low responsiveness is due to the fact that revenue from these sources does not adjust automatically to rising affluence or to inflation.

> Charges for utility connections and local improvements received the same rating as water and parking charges except against the feasibility criteria for which they received a poor rating. The reason for the poor rating is that it is difficult to impose these charges consistently. For instance, the large cost of extending services to households living in previously unserviced areas could result in a rebellion against paying such charges.
>
> Public transportation fare revenue, a subsidized service charge, does not score highly against most of the criteria; it received a good rating only for economic efficiency. Reasons for this unsatisfactory performance include the large subsidy payable out of general revenue which in turn comes largely from the inequitable property tax, and the fact that fare revenues are very unresponsive, having declined in recent years.
>
> Licence and permit fees generally received fairly good ratings though it is acknowledged that their primary purpose is to control certain activities and not to raise revenue. The only poor ratings received were against the criteria of ability to pay and cost of collection.
>
> Municipalities outside the boundaries of the City derive more than 60 per cent of their locally-raised revenue from service charges. For the most part these charges are very similar to the water tax levied in the City of St. John's; basically they are used to finance garbage collection and in those centres where municipality-provided water is available, the supply of water. These centres all lack a general tax source such as the property tax used in the municipalities falling within the Regional Centre.
>
> The Royal Commission gave the St. John's water tax a good or fair rating against all criteria except ability to pay and responsiveness. Consequently, the service charges levied by the Sub-Regional and Local Centres should receive the same rating. However, in these centres the conflict with the ability to pay criterion is much more more serious as incomes are typically lower and these service charges produce a much greater share of total local revenue than in St. John's.
>
> If the level of municipal services in these centres is to be upgraded and the gap with the Regional Centre reduced, a strong case can be made for introducing a general tax source. The problem is to find one that the residents can afford and will consider fair. If a general tax source is adopted, it should probably still be supplemented by service charges for the financing of services where the beneficiaries can be fairly readily identified."
>
> *(St. John's Urban Region Study*, Interim Report 4A, pp. 56-61)

It is thus very clear that when they are evaluated in relation to all the known technical criteria, most local taxes are found to be wanting in important respects. Yet their continued use in municipal life is mandatory. There simply are no available substitutes.

The St. John's Urban Region Study next considered five separate revenue options for a reformed system of municipal finance to accompany its proposals on regional government in the Capital City area. They are detailed below, together with the consultants' final recommendations:

"1. A refined version of the existing revenue structure. This would involve changing the present rental value property tax in the city to a capital market value property tax resembling those now found in Wedgewood Park and Mount Pearl, and extending this system throughout the regional centre. This base would be used for all municipal revenues except those obtained from service charges. The latter would include charges for sewers and water, public parking and public transportation fares. Outside the regional centre, service charges would be used for sewers, water and garbage collection, but there would be no property tax; general tax revenue would come instead from the fuel oil tax and the hydro revenue tax.

2. A proportional tax on the market value of real property combined with service charges for sewers, water, public parking and public transportation fares. This is identical to the regional centre portion of the first alternative above, but it would be applied throughout the region. The main change this would bring compared to alternative 1 would be the replacement of the fuel and hydro taxes in the outer areas by the property tax.

3. A modified market value property tax combined with service charges as before. This would be the same as alternative two except that properties below a certain value would be partially exempted from taxation, the exemption rising progressively with decrease in value. Occupants of somewhat more valuable properties might also qualify for an exemption by passing a means test.

4. A locally administered proportional income tax, combined with service charges as before and applied throughout the region. A tax of this kind is now used in thousands of municipalities in a half dozen countries around the world, and was the tax proposed for the city by the Royal Commission on Taxation and Revenue of the City of St. John's.

5. A municipal surtax on the federal-provincial income tax, combined with service charges as before and applied throughout the region. Such a tax would have to be administered by the federal government on behalf of the region. Because the federal rate structure is progressive, it would be a progressive tax. A tax of this kind is advocated by the Canadian Federation of Mayors and Municipalities.

Evaluating the Alternative Revenue Systems

An evaluation of these options suggests the following conclusions:

Alternative 1, while adequate in the regional centre would prove incapable of generating anywhere near the revenue needed in the outer areas, because of the very limited bases for the fuel and hydro taxes and the fact that each is highly regressive.

Alternative 2 is certainly a viable option, as attested by the fact that similar systems are used in virtually all municipalities throughout the rest of Canada. Its chief drawback is inequity; the proportional property tax is very regressive and lower income households pay a disproportionate share of the tax burden.

Alternative 3 would remove the most regressive aspect of alternative 2, although it would be somewhat more difficult to administer. On the other hand, it is not as complex as the system recently adopted for the same purpose in Ontario, whereby lower income tax

> payers can claim property tax relief on the provincial portion of their federal-provincial income tax return. Because it would reduce the tax base, perhaps substantially, it would require a higher tax rate unless the loss was covered by provincial subsidy (as in Ontario). This would raise taxes on all those not granted a partial exemption. The amount of this shift would of course depend on the exemption scale adopted.
>
> Alternative 4 would employ a tax that is completely non-regressive and that is also more responsive to rising incomes than is the property tax. However, this alternative as proposed for the city by the Royal Commission, has already been rejected by the Province.
>
> Alternative 5 rates highest from the point of view of revenue growth over time, and would also be considered by many as the most equitable system. However, by reducing the tax base significantly in the lower income categories, it would impose very heavy burdens on middle income households. It would also require the approval and active assistance of both the provincial and federal governments, and would almost certainly reduce local autonomy in the setting of tax rates. Thus it is not considered feasible at this time."

It was then concluded that alternatives 1, 4, and 5 had to be rejected in favour of one or other of the real property tax proposals, either of which were considered suitable as a tax base for a system of metropolitan government in the St. John's area.

(c) *Reform of Municipal Public Finance in Newfoundland: A Justification*

When devising its strategy of municipal financial reform, the Commission has had due regard for the demographic, economic, fiscal, attitudinal and service environments examined in earlier chapters. It has weighed with care a great deal of technical evidence, such as that reproduced immediately above. It has considered developments in other provinces; and it has been strongly influenced by the results of its own intensive investigations reported in this chapter. The Commission's general conclusion may now be stated: it is that municipal public finance in Newfoundland has deteriorated in recent years to the point where it threatens to jeopardize the Province's entire experiment in local self government. Two current financial deficiencies, in our opinion, have reached near-chronic proportions. They are found in areas that constitute two key links in the chain of Newfoundland's municipal experience. Unless performance in these vital areas is not soon improved, the consequences of continued fiscal dislocation may ultimately succeed in eroding nearly three decades of moderate achievement in the non-financial sectors of Newfoundland's municipal life.

The first of these deficiencies, particularly apparent outside of the cities in many medium and smaller units, is a substantial and steadily growing repudiation of local financial responsibility — a condition which, as we have indicated earlier, coexists with an increasing municipal service demand. The second deficiency is a provincial policy failure which, under the guise of promoting new incorporations and of fostering very rapid local service development on an increasingly ambitious scale, has not provided the essential incentives required to encourage and strengthen the inherently pre-

carious spirit of local fiscal accountability, inherited from the past, in the Province's municipal system. Indeed, the policy strategy that has been pursued in this area at least since the mid-1960's has had the effect of stimulating quite unrealistic service expectations among local publics and their leaders. More concretely, however, it has produced a growing number of smaller municipal units whose service demands have been accommodated without requiring an appropriate degree of local financial participation.

Two increasingly distinguishable categories of local authorities are thus emerging among the "developed" municipalities of Newfoundland. The first group consists of generally older, larger units where provincial fiscal support is supplied at levels that fall progressively below an acceptable standard, thus requiring a very high and growing tax effort by local citizens in order to sustain minimal and often inadequate service levels. The second group consists of medium-sized and smaller municipalities where provincial support of local budgets to an increasing degree exceeds 75 per cent. The two groups do not appear to be strongly differentiated in terms of income or density. The middle ground between these extremes is steadily narrowing and the general design of current provincial financial policy toward municipalities thus appears bound to ensure an increasingly inappropriate fiscal polarization among Newfoundland's local authorities.

In regard to the Province's numerous but less developed municipalities, on the other hand, there is a good deal of provincial support activity that is random in nature and that offers no real prospect of facilitating the growth of service activity which, in the Commission's view, can only be supplied effectively by regional forms of local government. In order to remedy these deficiencies, the Commission urges that, in the first place, consideration should be given to the introduction of an entirely changed local fiscal framework. The purely municipal component of that framework is detailed in the following chapter. We propose an extension of real property taxation to all municipalities in the Province with water and sewerage systems serving a majority of their citizens. For these "developed" local authorities, in a word, real property taxation should be introduced as soon as may be practicable, and without exception, as the principal source of future municipal revenue. This requirement should be imposed by statute. All municipalities subsequently making application for long-term capital or other assistance from the Province for major service development should likewise be required to impose the real property tax. The action, indeed, should be considered a precondition for eligibility in respect of such assistance. This requirement should also be imposed by statute. As part of a long-term programme oriented toward the introduction of regional municipal governments, at least on the Island portion of Newfoundland, all real property should ultimately be assessed by the Province in accordance with an extended development plan outlined in the next chapter.

(d) *The Development of an Alternative Local Revenue System*

We summarize below the main components of this recommended reform programme for municipal government finance as it applies to the local revenue structure.

(1) When the new Municipalities Act is drafted, there should be an

entirely revised part of it delegating all the recommended fiscal powers to local governments. Under this legislation, local use of the real property tax, in a manner described above, should become mandatory.

(2) *Existing legislative provisions granting certain exemptions from real property taxation should be withdrawn completely.*

(3) *Certain powers of municipal councils respecting the granting of tax exemptions should undergo procedural changes and be exercised hereafter without reference to the Minister.*

(4) *The present optional procedure with regard to municipal use of local improvement assessments should be removed; these assessments should become mandatory for all units in the case of new subdivision development, and be required as well in the case of all service development in either the new or older sections of municipalities not using the real property tax.*

(5) *A five-year development plan for the critical real property assessment function to accompany this reform programme, including a changeover from rental to capital assessment procedures in St. John's, is proposed.*

(6) *A new programme for assessment in respect of school taxation and the adoption of revised assessment procedures is recommended.*

(7) *The adoption of a new assessment appeal structure is also proposed.*

(8) *The introduction of a revised form of municipal business taxation is required.*

(9) *The abolition of the fuel tax, stock tax, vehicle tax, and certain "nuisance" taxes is recommended.*

(10) *Some changes in the administration of the municipal service fee are proposed.*

(11) *Other changes in the procedure respecting the collection of real property and other tax arrears are suggested.*

(12) *A new policy in relation to the local taxation of farmland, timberland, mining and major resource industries is recommended to parallel the introduction of regional municipal authorities.*

(13) *A new policy respecting the taxation of investor-owned utilities is proposed.*

(14) *A new policy departure, under which the Province would begin to pay annual grants to municipalities in lieu of taxes on departmental establishments and crown corporation properties, is recommended.*

These proposals should be introduced in a carefully scheduled manner over the next five years. Their implementation would, in the Commission's opinion, lay the essential groundwork for the many major institutional transitions proposed in respect of municipal regional authorities and of local administrative practice as outlined in Part IV of this report. Without them, many of the later proposals would be fruitless. They emphasize the need for an extension of real property taxation to all "developed" municipalities, and the desirability of a thorough reform of its present numerous statutory limitations. Despite its shortcomings, the real property tax has considerable advantages as the main municipal revenue source in a Province which maintains a balanced fiscal emphasis upon income, wealth and consumption levies. Admittedly, it is not a tax which strongly meets the "ability to pay" test. But because its assessment base consists of generally immovable assets, because its capacity to yield substantial revenues without excessive administrative costs has been demonstrated, and because — given improved procedures of tax administration — it can be enforced, the Commission recommends its extension in preference to a provincially-raised municipal income tax.

We also wish at this time to emphasize the importance of the proposals offered below with reference to the reform of Newfoundland's municipal business tax as it operates currently in units using real property taxation. It too should be extended in conjunction with the wider application of the latter tax. The Commission is aware that in an indirect manner the business levy tends to enter into the price of goods and services sold to the consuming public. It has been suggested to us, however, that in some degree the local business tax may be an alternative to a business profits tax, since, when faced with a substantial local property-based levy, an enterprise may take a smaller profit before income tax in order to remain competitive. Hence, to some degree, a municipal business tax may siphon off tax revenues locally that would otherwise flow as yields to the senior governments. (This point bears on both the corporation tax yield and the personal income taxes paid by the owners of unincorporated firms.)

The suggested introduction of a procedure in which all categories of business are taxed at a common rather than at variable rate, as is at present authorized by statute, may give rise to the objection that such rate uniformity could deal unfairly with firms that require property outlets or premises of above-average value in relation to either their dollar volumes or their projected earnings. The Commission would argue, in response, that most local attempts to apply business rate variations in practice tend to generate more discrimination than they prevent. We consider it to be an impractical objective even to attempt the construction of a business realty-based rate schedule that would be negatively sensitive in general to business property values in relation to anticipated earnings. And there is now good evidence of a national tendency toward the use of a business levy that is uniform in its application to various kinds of business activity.

Finally, there is one comment about the local fiscal significance of user charges upon which the Federation of Municipalities laid great stress in a citation presented earlier in this chapter. We note below that Newfoundland's municipal financial structure is already by Canadian standards weighted very heavily towards the use of these flat-rate levies. So far from considering this fact to be an advantage, we think that it represents a primary fiscal defect. Indeed, we hope that greater reliance of real property taxation throughout the Province will tend to diminish the heavy reliance now placed upon these necessary but highly regressive flat-rate fees. As a counterpoise to the Federation's recommendations in this connection, we cite a contrary view recently expressed in the following words:

> "User-charges have a more regressive impact upon people of limited means than property taxes. It is all very well to say, 'Let people pay the cost of the services they obtain'. The fact is that people of limited means cannot pay the full cost of schooling for their children, hospitalization, health and welfare services, income security and other such social necessities. User-charges, therefore, have merit only when confined to small expenditures for very essential purposes. One may in fact question whether the system has been pressed too far in being applied to the cost of operating sewerage (treatment?) systems. Certainly, it would seem unwise to countenance any significant, further expansion of the user-charge concept."
>
> *(Report of the Task Force on Municipal Structure and Financing*, Province of New Brunswick, p. 51.)

(e) *The Development of an Alternative Provincial Fiscal Support System*

If the previous proposals contemplate a framework in which municipalities and their leaders can themselves work toward achieving some greater degree of fiscal responsibility in the development of Newfoundland's local self-government, the following recommendations should impose upon the provincial government an equal if not greater obligation. The Commission unanimously agrees that it is the Province's primary duty to supply support programmes on behalf of municipal development that are less arbitrary, more structured, less discretionary and more integrated in terms of goals and known procedures than have prevailed in recent years.

By general Canadian standards the Province of Newfoundland has in recent years supported its municipalities at quite generous levels. In Chapter 3 it was indicated that, in terms of the proportion of the total local budget supplied by provincial grants, the average for all local authorities in the nation has recently exceeded 50 per cent. The equivalent proportion in Newfoundland is either at or near that level, yet our municipalities have a comparatively restricted service function. The largest component of provincial financial support toward municipalities as a whole in Canada consists of "conditional" grants in respect of their education, welfare, justice and health functions — programmes in which the provinces have a strong interest. These latter activities in Newfoundland are a provincial responsibility, yet our local authorities receive approximately the same proportion of their resources from the government as do local authorities in the nation generally. The inference, of course, is that purely local functions, and the services of most direct benefit to place and property, are in Newfoundland supported by provincial contributions at levels well above the national average.

The general growth of these contributions in current dollar terms has been substantial: from only $2.6 million in 1962 to nearly $15 million in 1974, and to $21.8 million in the latter year if the provincial outlays for city police and fire services are included in the estimate. In the former year total provincial direct transfers to the municipalities constituted 2.3 per cent of combined provincial-municipal net revenue and amounted to 0.56 per cent of Newfoundland's *personal* income. The equivalent ratios for 1974 are estimated to be 2.3 and 0.88 per cent respectively. Although they are not significantly greater in 1974 than in 1962 when measured against the combined provincial-municipal budget, provincial grants to municipalities are now consuming a greater share of provincial personal income than they did a decade ago. (If the provincial expenditures on fire and police services are imputed as grants, the above ratios are increased to 3.4 and 1.30 per cent respectively.)

Yet we have demonstrated earlier that the distribution of provincial support to Newfoundland's municipalities manifests a very strong tendency, with a very few exceptions, toward statistically random patterns of association with the main environmental and fiscal variables examined in this study. Except for a moderate bias toward income levels discovered in the case of the revenue and road grants (in combination), the Province's contributions overall do not relate coherently in a statistical sense with the indicators of municipal population, density, income or social assistance payment levels. With the exception of some significance in the relationship between water subsidies and local water rates, grants in general do not correlate strongly with particular local revenue sources, with the levels of municipal fiscal dependency, with outstanding tax ratios, nor with local tax effort. Neither is there much coherence in the nexus between grants and service levels. But it is undoubtedly the case, as indicated above, that a growing number of our "developed" municipalities in the Province are receiving insufficient support, while an even larger number are growing excessively dependent upon such assistance. Generally speaking, it seems clear that outside of the cities and some of the larger centres, almost all local budgetary growth since 1970 has in fact been provided through provincial support. The Commission considers these trends to be wholly negative and even damaging to the prospects for local self-government in Newfoundland.

For these reasons, we recommend the abolition of the entire system of provincial grants which has been developed over the years as a response to the very special needs of Newfoundland's municipalities. A detailed justification for this proposal, together with the specific recommendations for an alternative provincial support structure, can be found in Chapter 8. We believe unanimously that the present revenue, road, water and sewerage, special and other grants now made available for current local budgetary purposes should be terminated. We recommend, in particular, that except for truly emergency purposes, as defined explicitly in Chapter 12, the special grant system as it now operates should be immediately dismantled.

The strategy which informs our proposal in this critical area of local government finance is influenced strongly by a belief that provincial grants to municipalities should serve three distinct purposes. First, they should generally compensate all municipalities in an equal manner for the inherent fiscal limitations noted above with respect to the main local revenue sources, especially the real property and supplementary business levies. Secondly, they should in a manner more rational than is now the case compensate some municipalities that by objective indicators are low on the scale of relative local fiscal capacity. In a very small number of functional areas, finally, they should support province-wide municipal service levels and standards. In other words, there should be revenue deficiency grants, equalization grants and a small number of stimulation grants.

It is the Commission's view that these objectives can best be achieved by the phased introduction of a three-part provincial support programme with the following components: (1) a general municipal assistance grant; (2) a municipal tax incentive grant; and (3) a municipal capital projects grant. The recommended general municipal assistance grant should consist of three elements. First, an annual per capita allocation scaled directly to the population size of each municipality at a slightly increasing rate beginning at $9.00 for all units of 650 and under, and rising to $15.00 for all municipalities above 6,000; second, an annual per capita allocation varying from $1.00 to $5.00 and bearing a direct relationship with the level of social assistance payments per capita disbursed in municipalities during the previous year; and, third, a final annual per capita allotment ranging from $3.00 to $4.50, and scaled directly to the local road mileage over which each municipality has responsibility (i.e., local road mileage within communities less total public road mileage). If it were introduced in 1974, such a general assistance grant would cost an estimated $8 to $8.5 million, or approximately 39 per cent of all projected provincial contributions to local budgets ($21.8 million) under the present grant arrangements. It would thus represent some 29 per cent of the $29.4 million which all municipalities will raise from purely local revenue sources during the current year, and would approximate an estimated 17 per cent of total disposable revenue.

For tax incentive purposes, the Province should next consider a second or matching grant under which it would pay to each local authority an amount equivalent to the estimated yield of its real property tax. If it were introduced during 1974, the total amount of this incentive grant would be $10.4 million, and the sum of the two recommended current grants in support of municipal operations would reach $18.9 million, or an estimated 87 per cent of the Province's total contribution ($21.8 million) under the present grant arrangements. Other important features of these recommendations are examined below.

For local capital projects the Commission recommends the introduction of an entirely new procedure. Municipalities requesting assistance for these non-utility projects should be required to make a formal presentation of them through a Municipal Capital Projects Board to be established by the government. All municipalities requesting such assistance for the first time or already in receipt of capital assistance should be required to prepare and submit annually revised five-year municipal capital forecasts. These proposals, including an entirely new approach to local budget procedure, are outlined in detail in Chapters 8 and 12 below. Finally, a new incentive grant in support of regional municipal development is proposed.

This Commission sees in the present system of municipal grants a great many features that have contributed directly to many local fiscal problems associated with under-utilization of real property taxation, poor tax administration generally, and the chronically-high level of tax delinquency found among most municipalities. It has lacked the appropriate incentives and has encouraged a steady deterioration of local autonomy and a progressive erosion of fiscal responsibility. If there is to be any serious attempt to develop the municipal system in the years ahead, this central defect must be quickly remedied.

Chapter 7

Municipal Taxation and Local Revenue Policy

1. Characteristic Features of Newfoundland's Municipal Revenue System: A Summary

There are at least a dozen unique features of Newfoundland's municipal revenue structure. First, as indicated in Chapter 3, use of real property tax for local revenue purposes is not mandatory as it is in all other Canadian provinces. There has been since 1962, moreover, a steady increase in the degree to which the real property tax has been under-utilized. Second, the assessment system upon which Newfoundland's real property tax is administered has been formally divided into two separate units: the traditional one in St. John's based upon the original English model of rental value, and another for all other municipalities determined by capital value. In practice, as we indicate below, three separate assessment systems and subsystems are in actual use. No other province uses more than one framework of real property assessment. Third, there are fully four different forms of business taxation that are applied by municipalities. Fourth, Newfoundland is the only province that authorizes its local authorities to impose a fuel tax on oil, coal, and propane gas. Fifth, to a greater extent than any other province, Newfoundland's municipal fiscal structure depends upon flat rate, municipal and community annual service fees. These levies constitute a form of poll tax which has been almost completely abandoned in other Canadian provinces. Sixth, due in large measure to the under-utilization of the real property tax in most non-city municipalities, flat rate water and sewerage taxes have come to assume a degree of fiscal significance in local finance which is unparalleled in other jurisdictions. Like the service fees, these latter levies tend to be highly regressive in nature.

Seventh, to a much greater degree than in other provinces, Newfoundland's municipalities depend upon miscellaneous taxes and non-tax revenues to sustain their annual fiscal operations. Many of these miscellaneous taxes are "nuisance" levies. Eighth, the optional use of school tax authorities and the levying of family "assessments" by denominational school boards produces a unique pattern through which citizens contribute toward a portion of the capital requirements — and more recently a small proportion of the current costs — of primary and secondary education. This distinctive arrangement has no equivalent elsewhere. Although education is not a municipal responsibility, taxation on its behalf has a central relationship with municipal finance. Ninth, throughout its municipal experience, Newfoundland has always reported the highest annual rates of municipal tax delinquency. Tenth, this Province is at least a decade behind other jurisdictions in improving municipal tax administration, particularly with respect to property tax exemptions and the levying of local improvement assess-

ments. Eleventh, there is no coherent, province-wide system under which major industrial concerns contribute their share of municipal fiscal requirements. In this sector there are merely scattered statutory agreements and ad hoc arrangements which have emerged over time.

Lastly, in virtually every other province, programmes have been introduced in recent years under which provincial government departments and crown agencies contribute (by way of grants in lieu of taxes) to the cost of services supplied by local authorities. The Province of Newfoundland, as a general rule, makes no such contributions. At most, it supplies small token amounts under Section 271 of The City of St. John's Act in lieu of water rates, and allows municipal imposition of business taxation in respect of the Liquor Corporation's retail outlets and more recently, of the Holiday Inns. This situation is in stark contrast with that prevailing in New Brunswick, for instance, where payments in lieu of taxes are made to all municipalities in respect of all provincial property, except crown lands, but including schools and hospitals. In that province, as well, all crown agencies and corporations are required to pay the equivalent of normal municipal taxes. And the Commission points out that New Brunswick provides general grants to its municipalities at levels considerably in excess of those supplied in Newfoundland.

(a) *Real Property Tax*

Although its use is legally available to all units except the local government communities, local authorities in this Province are not required by law to impose the real property tax. Municipal fiscal practice is thus generally at variance with the universal pattern prevailing in North America. Despite its obvious shortcomings, the real property tax has in recent years come to provide nearly 85 per cent of all municipal tax revenue in Canada. In 1972, for example, the estimated yield of all real property taxes levied by the nation's 2,000 municipalities amounted to $154 per capita. Ontario's collections were at the highest level of $190, compared with only $98 per capita in Nova Scotia. During the same year the equivalent property tax yield for the City of St. John's was $66 and for the City of Corner Brook $29 per capita; but the reported yield in 17 Newfoundland towns averaged only $15 per capita.

The Commission recognizes that the substantial differences in Canada's municipal structure to a large extent account for inter-provincial variations in real property tax yields. Municipalities in Nova Scotia, Ontario, and most other provinces, for instance, have major responsibilities in fields such as education, social welfare and public health. They therefore require much higher total local revenues than is the case in Newfoundland, where these functions are a provincial responsibility and must be financed from the Province's revenue sources. Yet the above comparisons do suggest in a dramatic manner the relative degree to which the real property tax in Newfoundland is under-utilized. Not only are our local property tax collections extremely low; very few municipalities in the Province actually use this potentially productive tax source. Indeed, the tax is applied only in the two cities, in only 19 of nearly 95 towns, and in only three of more than 50 local improvement districts. In the towns of St. Lawrence and Bishop's Falls, moreover, the real property tax is used exclusively for business tax purposes.

Section 81 of *The Local Government Act* requires a minimum real property tax payment of $5.00 per annum in cases where the municipality has not imposed a service fee.

In 1974 the yield of the real property tax is estimated to be approximately $10.4 million. Since 1971 its yield has increased by approximately $1 million annually. During 1974, nearly $6.3 million of all real property taxes (60.6%) will be raised in St. John's, whereas approximately $1 million (9.6%) will be collected in Corner Brook. Non-city units in 1974, it is estimated, will raise only $3.1 million (29.8%). Non-city *rates* of real property taxation are highest in Gander, Labrador City and Wabush and lowest in Baie Verte, Freshwater and Harbour Grace. *The rates of increase of non-city real property tax in Newfoundland have not kept pace with increasing incomes and costs and are far below the growth patterns recorded elsewhere.* Since 1966, for instance, Stephenville's property tax rate (7.50 per thousand) has not been increased, yet its budget has grown from $313,800 in 1968 to an estimated $1,200,000 in 1974. During this interval the price index of government current operations has increased by nearly 70 per cent. (Cf., Table A-4, Appendix A) The Commission was told by one municipality that it has recently abandoned its property tax. Under circumstances such as these, which are not confined by any means to Stephenville, it is not surprising that the yield of Newfoundland's real property tax has contributed a steadily decreasing share of all municipally-raised revenue. (Property assessments, it may be observed, must be completed only at five year intervals even though average assessments tend to increase at about 10 per cent annually.) From 1952 to 1966 this tax constituted the main source of local government revenue, regularly accounting for one-half of all municipal levies; but since 1966 this proportion has been steadily falling. In 1974, it is estimated to be just under one-third (See Table 3-10, above). This trend is due in part to under-utilization of the tax in the larger municipalities, as described above, and in part to the rapid growth of new municipalities not levying the real property tax. The Commission indicates once again, however, that precisely the opposite tendency is apparent in Canadian municipalities generally.

(b) *Assessment Procedure*

A second unique feature of Newfoundland's municipal fiscal structure is evident in its assessment procedures. The use of the real property tax obviously requires an adequate assessment system. Land, buildings and other taxable assets, in short, must be assigned a definite and equitable value against which the municipality's tax rate can be applied in each fiscal year. Real property in all Newfoundland municipalities using the tax, and except in the City of St. John's, is assessed by the provincial government in accordance with procedures set out in *The Assessment Act, 1958*. Under this statute assessment procedures follow the prevailing North American pattern and are based upon periodic estimates of the "capital value" of real property. A small assessment staff in the Department of Municipal Affairs and Housing supplies these assessment services for a specified fee. Although in strict law the assessment process in Corner Brook falls under provincial purview, in practice that city employs and directs its own assessment staff.

In the City of St. John's, on the other hand, the assessment function is both legally and administratively separate from that prevailing in the other 25 municipalities now using the property tax. Under its charter the capital city is empowered to perform its own "appraisal" functions for the purpose of levying the city tax, the ground landlord's tax, the vacant property tax and the business tax. Unlike the assessment procedure used in the other units, however, property appraisal in St. John's is based upon estimated annual "rental value". St. John's was until recently the only Canadian city using the traditional English system of real property assessment. (In 1971, Quebec substituted rental for capital value in its assessment procedures.) The Commission wishes to emphasize, therefore, that in law *two* separate and quite different assessment systems are in use, but that in administrative practice there are actually *three* functioning units for assessment purposes: one for St. John's, one for Corner Brook, and one for all other municipalities using the real property tax.

At this juncture, the Commission wishes to record the presence of a clear trend in most Canadian provinces away from traditional, decentralized, locally-autonomous assessment functions in municipal property tax administration. The Province of New Brunswick in 1967, and more recently the provinces of Ontario and Prince Edward Island, have assumed responsibility for the property tax assessment process in their municipalities. A similar trend toward centralization is evident in the provinces of Manitoba and Saskatchewan. Newfoundland's non-city assessment system, therefore, is already consistent with this observed tendency in most mainland jurisdictions.

(c) *Business Taxes*

A third distinctive feature identified by the Commission relates to the taxation of business enterprises by local authorities. Four components of this mode of taxation are now in effect. In St. John's, the business tax is an annual tax payable by every person who occupies real property for business purposes. The tax base is related to the assessed rental value of the real property occupied; the St. John's business tax accordingly is a surcharge on the city (property) tax. This tax is levied at different assessment levels with respect to four categories of business activity. The first category (e.g., breweries, telephone companies, furriers, department stores, etc.) is assessed on a sum equal to *twice* the appraised rental value. The second category (barristers, surgeons and physicians, brokers, agents, accountants, etc.) is assessed generally at *full* appraised rental value. The third category (manufacturers, exporters, processors, appliance distributors, etc.) is assessed at *one and one-half* the appraised rental value. And the fourth category (all businesses not included in the first three categories) is assessed at *one-half* the appraised rental value.

Outside the capital city, on the other hand, municipalities are empowered to levy any one of *three* forms of business taxation. In units where property tax is generally used, a business tax must be levied as a percentage of the assessed valuation of the premises occupied by each business operator. Councils may vary this percentage with respect to different business classifications. Under Section 78 of *The Local Government Act*, the Minister may by order require an assessment of business real property even in cases where the municipality does not generally use the real property tax. The actual rate (or rates) at which this form of business tax is imposed in any given year is within the discretion of each municipality. In some instances the business tax rate is equivalent to that applied by the council on residential real property generally; in other cases it is found to differ from the general tax rate. In any case, municipal legislation does not prescribe any minimum or maximum rate (or amount) for the tax.

A third and quite different application of business taxation by local governments in Newfoundland is found in the large number of units that do not use the real property tax. In this case municipalities are authorized to fix a business tax as a percentage of the "value or magnitude", as estimated by the councils, of the annual volume of business done by commercial operators. Once again the percentage can be varied with respect to different business categories. *The Local Government Act* specifies that when this variant of the business tax is actually levied, it cannot be less than $5.00 nor more than $5,000. *The Community Councils Act* limits the maximum tax level to $500.

Finally, *The Local Government Act* and *The City of Corner Brook Act* authorize municipalities to impose a "stock" or inventory tax. This tax may be levied at a rate of not less than $0.20 nor more than $1.00 for every $100 of business inventory reported at the end of the preceding financial year. The Commission notes that fewer than five municipalities now make use of the stock tax.

Virtually all local governments in Newfoundland use the business tax in one form or another. In 1974 its total yield is projected at $3.5 million, or about one-third of all real property tax collections and approximately 11 per cent of all locally-raised revenue. Fully $2.2 million of the yield of business taxes (62.9%), however, will accrue in the City of St. John's. Like the real property tax, the business tax has been contributing a declining proportion of the revenues raised locally. During 1962-66, for example, it accounted for nearly 19 per cent of all local revenues. In 1972, the business tax yield in all provinces stood at $13.25 per capita, as compared with $7.15 in Newfoundland. Only Nova Scotia, with a per capita yield of $5.70, had a lower rate of business tax utilization.

The Commission observes that a business tax based upon "rental value" and similar to that used in St. John's is applied in the municipalities of Manitoba, Alberta and British Columbia, the cities and towns of Quebec, and the cities of Saskatchewan. Business taxation based upon real property "capital value" assessment is levied in Ontario, Prince Edward Island, and New Brunswick. In the latter province, however, all business taxation is raised by the province on behalf of its municipalities and no percentage variation among different categories of business activity is permitted. All business property is assessed at its "real and true" value, but the assessment cannot exceed 17 times the net rental value of the property. In Ontario, on the other hand, municipalities do not any longer have discretion with respect to the percentage applied to designated business categories. Under general legislation all municipalities in that province are required to levy business taxes in accordance with specified assessment ratios: e.g., car parks, 25 per cent; retail establishments, 30 per cent; manufacturing units, 60 per cent; wholesalers, 75 per cent; and distillers, 140 per cent. In Saskatchewan, an older form of business taxation is still in use. In that province, business assessment is calculated by multiplying the square footage of occupied premises by a rate which varies with the type of business. In Quebec, Manitoba and British Columbia finally, certain "flat rate" business taxes may be imposed by local authorities. In these cases, business levies assume the character of annual licence fees.

(d) *Fuel Tax*

A fourth distinguishing feature of Newfoundland's municipal revenue system is evident in the widespread use of the fuel tax. This tax is not assigned to local authorities in any other Canadian province. In the City of St. John's the tax is confined to fuel oil; but in all other municipalities it extends to fuel oil, coal and propane gas. The upper limit of this tax is fixed by statute at a level of $0.02 per gallon of oil, $0.01 per ten pounds of of coal, and $0.02 per pound of gas. Very few municipalities elect not to use this tax, in spite of its inelastic and highly regressive nature. Since this tax tends to be imposed at the maximum permissible rate, it is *inelastic* in the sense that its yield does not increase automatically with price increases nor with growth of community income. It is *regressive* in the sense that the ratio of the tax to personal income is much higher for lower than for higher income families or consumers. The principal variables affecting the fuel tax yield in each municipality are the weather and population growth. With the increasing trend to residential electric heating, moreover, a growing number of ratepayers in the larger municipal units have been able to avoid the fuel tax completely. It is estimated that the proportion of Newfoundland homes using electric heat is approximately 10 per cent. It is perhaps worth noting as well that retail fuel oil purchases were until recently also subject to the 7 per cent provincial sales tax. (No other province except British Columbia had in fact applied its provincial general sales tax to domestic fuel oil consumption.) The Commission believes that the reason why the fuel tax is generally used by Newfoundland's local authorities is the ease with which the tax is administered. A relatively few oil suppliers, in fact, act as agents of the municipality when collecting the tax at the point of sale to consumers; they are required by law to remit the proceeds of the tax to councils on a monthly basis. It is estimated that in 1974 this tax will generate just under $1.3 million, rather more than one-third of the amount to be obtained from local business taxation, and about four per cent of all locally-raised revenue.

(e) *Service Fee*

A fifth characteristic of the Province's local revenue system is the widespread use of municipal and community service fees. Indeed, apart from those cases where real property and water-sewerage rates are now levied, the annual flat-rate service fee has emerged as the principal means through which the residents of most municipalities contribute directly to the cost of their local services. Until recently, *The Local Government Act* and *The Community Councils Act* empowered local governments to levy service fees of not less than $5.00 or more than $20.00 per annum. But the upper limit was recently increased to $40.00 per annum. Generally speaking, male and female persons who reside in or who are employed in a municipality for at least a three-month period, and who are not less than 19 years of age, are eligible to be taxed for service fees. Females, however, are not liable for this tax in the event that their income falls below $600 per annum. All non-resident persons, companies or firms who own real property within the community to the value of at least $100 are also taxable.

Whatever they may be called in law, these flat-rate annual service charges in reality are poll taxes. Across Canada in recent years there has been a clear trend away from the use of local poll taxes. Within the last seven years, indeed, they have been abolished in the municipalities of New Brunswick, Ontario, Nova Scotia and Prince Edward Island. Small poll taxes of under $5.00 per head are still levied in some Quebec and Saskatchewan municipalities. *The City of St. John's Act* provides for a poll tax of up to $20.00 per eligible taxpayer. The City, however, does not use this particular source of revenue. But the City of Corner Brook does collect service fees. It is estimated that in view of the large number of new incorporations since 1971, the current yield of service fees now approximates $1.2 million, or slightly less than the total proceeds of the fuel tax. Prior to 1971, however, service fees rarely produced an amount equal to one-half the yield of fuel taxes. Despite its widespread use in the smaller municipalities the flat-rate service fee now yields only 3.7 per cent of all locally-raised revenue in Newfoundland. Although the maximum fee which can be levied has recently been raised to $40.00 per annum, very few units impose the tax at high levels. The town of Pouch Cove in 1974, for instance, raised its service fee from $18.00 to $22.00 per annum; the town of Conception Bay South had a service fee of $9.00 in 1972 and of $18.00 in 1973. For the vast majority of smaller municipalities, without water systems, direct annual contributions in respect of local government at these levels is the general rule.

(f) *Water and Sewerage Rates*

A sixth distinguishing feature of Newfoundland's local fiscal system is the growing relative significance of municipal water and sewerage rates or taxes. St. John's is empowered to levy a water tax in any of the following forms: (1) some flat percentage of the appraised annual rental values of the premises serviced and, where the occupier is also owner, the tax may be a surcharge on the city tax; (2) a rate schedule determined by the number of taps or outlets; (3) a metered supply with the rate determined at a fixed amount per thousand gallons consumed; and (4) a tax determined by reference to a scale of separate classifications of the assessed valuation of different premises. Generally speaking, the first form tends to be used. Outside of St. John's, councils are authorized to levy water and sewer rates using the first variant in the St. John's formula (where the local authority uses the property tax), or at fixed rate on the serviced premises, which may be subject to varying classifications.

In all large municipalities, the water tax is a major source of revenue. Among 20 towns using the property tax in 1971, the total yield of municipal water rates exceeded the total yield of property taxes in fully seven cases

(Carbonear, Freshwater, Happy Valley, Harbour Grace, Stephenville, Springdale and Windsor). In St. John's, however, the water rate is less significant as a revenue component. The net residential water tax in the city for 1974 is estimated to produce $303,850 or approximately 3.1 per cent of total city taxation. Commercial, industrial, marine supply and external sales will yield an additional $493,500, but total water receipts in any case will approximate only 8.1 per cent of the city's projected tax yield. In Corner Brook, on the other hand, 1974 total water sales will produce an estimated $1,171,552, an amount exceeding the city's property tax yield and approximating fully 41 per cent of its total taxation revenue.

Largely because of the steady growth of water system installations, water-sewerage taxes in non-city municipalities have grown rapidly in recent years. In 1974, for instance, their yield will approach $2.7 million. The proceeds of this tax in all units will accordingly pass the $4.0 million mark and account for just under 20 per cent of all local taxation revenue. This ratio is undoubtedly the highest reported in any Canadian province.

No detailed current estimate of monthly water rates imposed in Newfoundland's non-city municipalities is possible. But the Commission was able to secure details on this matter for 1972 in relation to 48 non-city units with complete water utilities and to another 23 with partial utility systems. In the former case, about one-fifth of the municipalities were then levying a water rate of $3.00 per month or under, another one-fifth levied a rate of between $3.00 and $4.99, while more than two-fifths imposed a rate of between $5.00 and $6.99. Only five units levied a monthly rate of between $7.00 and $8.99. Carbonear then imposed an annual rate of ¼ of one per cent of its assessed property valuation for water rate purposes; Harbour Grace combined a property tax levy (⅛ of 1%) with a monthly levy of $2.50; Gander and Wedgewood Park had no special water rate but covered utility costs from their general tax revenue. In the units with partial water utilities, monthly rates varied from a low of $0.50 to a high of $3.50, but nearly two-thirds of these rates fell within the range of $1.50-$3.00. Since this survey was completed, municipalities installing new utility systems have been levying higher monthly water rates. The Commission has been informed that some of these newer installations require rates as high as $10.00-$12.00 per month. Where there is severe deterioration in the quality of water supplies (e.g., Bishop's Falls), the established rate is cut in half.

(g) *Miscellaneous Taxes*

To a much greater extent than local authorities in other jurisdictions, municipalities in Newfoundland impose and depend upon miscellaneous taxes, many of which fall into the category of "nuisance" levies. Examples of these taxes include the following: entertainment and amusement levies; the vehicle tax (not to exceed $5.00 annually, except when the vehicle is used as a taxi); a commercial agents tax; bowling alley and dog levies; hawkers and peddlers tax; a non-resident building contractors tax (not in use) in St. John's; a telephone tax levied by cities and towns (but not by local government communities) at a rate of $1.00 per *subscriber* per annum; and an electric revenue tax imposed on the Newfoundland Light and Power Company in lieu of normal property and business taxation, and calculated at an annual rate of two per cent of its utility revenues. Taken singly, except in a very few small municipalities, these levies do not produce a substantial revenue. In recent years the vehicle tax, for instance, has rarely exceeded $200,000 in all local units. While the entertainment tax may sometimes exceed $130,000, nearly 85 per cent of its proceeds accrue to the two cities. Yet in the aggregate these miscellaneous taxes account for nearly eight per cent of all local tax revenue.

(h) *School Taxation and Assessments*

School finance in Newfoundland is the responsibility of the denominational school boards and of the Province. Unlike New Brunswick and Prince Edward Island, and to a lesser extent British Columbia, however, the Province does not levy a real property tax generally for school purposes. The Province provides from its general revenue the annual cost of teachers' salaries and of other current primary and secondary educational expenditures. It also contributes toward school transportation costs and provides certain capital grants. It is estimated that *current* net expenditure on education by the Province will reach $148.2 million in 1974-75, of which $65 million (43.9%) will be allocated to teachers' salaries, $11.7 million (7.9%) to operational grants, and $7.8 million (5.3%) to transportation. The provincial budget for 1974-75 forecasts a schedule of school construction grants rising from $10 million annually at present to $14 million annually in 1982-84.

In order to provide for additional capital requirements, and for salaries associated with special teaching and staff functions, some school boards operate under *The Local School Tax Act, 1970* and have established school tax authorities. Ten of these latter units were in operation in 1973 but they included less than one quarter of all students enrolled in the Province's schools. Two new authorities have recently been established and two more are pending the consideration of government. Under *The Schools Act*, on the other hand, school boards are authorized to levy flat-rate assessments on the families with children in school. These latter levies do not apply to business firms nor to otherwise taxable individuals who do not have children attending school. The advantage of the school tax authority is that it significantly increases the tax base for school purposes, since it renders families without children, unmarried individuals over 19 and business units liable for school taxes. School tax authorities are empowered to use two methods of imposing school taxes: real property taxes and poll taxes. (They may also receive grants from corporations.) Both methods can be used by the same authority but no one is required to pay taxes under both methods. The real property tax is based on the assessed value of the property (within those municipalities where property is assessed) and the percentage to be levied is set annually by the authority. This method is thus almost identical with that used by those municipalities which employ a property tax. One difference is that tenants are billed instead of property owners. The poll tax is set by the authority and levied on taxpayers not living in areas where property is assessed. The poll tax is collected through employers of those employees who cannot show that they pay a property tax for school purposes in any authority area. Those whose income is less than $2,500 are exempt, and those over the age of 65 may also be exempted. School taxes collected by these two methods are distributed to the school boards on the basis of the proportion of total enrollment in the authority area. School tax authorities can only levy taxes for specific purposes, mainly capital construction and salaries for special teaching and staff functions. (There have been requests from school officials to extend the range of these purposes; and the Government has in fact conceded this point in its recent decision to authorize such an extension.) Before an authority can set its levies, the total budget has to be approved by the Province.

For the year ending June 30, 1974, Newfoundland's 10 school tax authorities for which budgetary information was available are estimated to have levied $2.3 million in school taxes, or some eight per cent of total revenues raised locally for purely municipal purposes during 1973. The distribution of these school revenues among authorities other than the newly established units (Trinity-Conception and Placentia-St. Mary's) was as shown in Table 7-1:

Table 7-1: Estimated Revenue Operations of Newfoundland School Tax Authorities, 1973-74

School Tax Authority	Real Property Tax	Poll Tax	Grants	Total Revenue
		(thousand $)		
1. Deer Lake	-	70.0	6.6	76.6
2. Happy Valley-Goose Bay*	52.5	19.4	88.5	160.4
3. Gander (District No. 1)	148.4	511.9	28.7	689.0
4. Port aux Basques	29.0	30.0	10.2	69.2
5. St. Lawrence	-	16.0	-	16.0
6. Grand Falls	90.0	9.0	2.0	101.0
7. Port au Port	68.0	104.0	0.2	172.2
8. Green Bay	-	180.0	11.0	191.0
9. Notre Dame Bay	-	149.3	-	149.3
10. Corner Brook	506.3	136.5	43.0	685.8
TOTAL	894.2	1,226.1	190.2	2,310.5

*year ending June 30, 1973 (later year not available)

Source: School Tax Authority Budgets supplied by the Department of Education.

It is evident that the bulk of school taxes (53.1%) accrue in the form of flat-rate poll taxes, as compared with a smaller proportion (38.7%) collected from real property levies. Less than 10 per cent is obtained from Government of Canada and Corporate grants. During the past year, Deer Lake levied a poll tax exclusively — even though the town has a property tax — of $50.00 per annum. Other annual poll tax rates are as follows: St. Lawrence, $48.00; Notre Dame Bay, $40.00; Green Bay, $40,00; Happy Valley - Goose Bay, $40.00; Gander, $36.00; Corner Brook, $32.50; Port au Port, $30.00; Port aux Basques, $20.00; and Grand Falls, $15.00. Property tax mill rates for school purposes, on the other hand, varied from a low of three mills (Grand Falls) to a high of 6.5 mills (Corner Brook). These rates are generally below those applied in most towns for municipal purposes.

One feature of the activities of school tax authorities is that their taxation powers do not extend to business operations not liable for real property taxation. Outside of incorporated units where property is assessed, moreover, business enterprises are liable only for the poll tax! (The same condition holds in Deer Lake where the authority uses only the poll tax even though the town's property is assessed for municipal tax purposes.) As indicated above, school tax authorities receive a small proportion of their revenue from grants. Almost half of these contributions ($91,700) accrued from the federal government or the C.N.R. as grants-in-lieu of taxes. Corporate contributions totaled only $98,500 and were concentrated in the Deer Lake, Green Bay, Happy Valley, Corner Brook and Grand Falls authorities. The Notre Dame Bay, St. Lawrence, Gander, Port au Port and Port aux Basques authorities received no such contributions.

The Department of Education was unable to supply the Commission with information on school board "family assessment" levies during 1973-74. It did, however, provide estimates of assessments and collection for 1972-73. Analysis of this information shows that some 22 boards levied assessments during that year in the amount of nearly $2 million, of which just over $1.5 million was actually collected. A few districts (e.g., Burgeo Integrated) levied no assessments in 1972-73. The largest levy ($675,600) was made by the St. John's Roman Catholic board, but this unit realized a collection ratio of only 61.5 per cent, well below the average collection rate of 78.7 per cent in respect of all the boards raising revenue in this manner. The St. John's school boards have recently increased their school assessments to $120 per family per year. A comparison of this annual rate with the school taxation rates in the City of Corner Brook is of some interest. A resident of the latter city paying a school tax of $6.50 per $1,000 of valuation would have required a property assessed at $18,462 in order to contribute $120 annually. In the Corner Brook authority outside of the city, however, the annual poll tax levied in 1973-74 amounted to only $32.50, or only 27.1 per cent of St. John's assessments. Thus, the residents of Pouch Cove, who actually are paying school assessments to their school boards, are doing so at a rate nearly four times greater than the residents of Cox's Cove are contributing in poll taxes to their school tax authority.

The Commission estimates that during 1974 an amount of some $4.5 million will be assessed on local ratepayers by school tax authorities and school boards. These taxes and other charges are now approximating the level of municipal taxes on behalf of water utility services; they are in the aggregate beginning to exceed the municipal yield of business taxation, and will soon be four times greater than the yields of either fuel taxation or of local service fees. The prevailing degree of competition between school and municipal taxation, and the manner in which each is raised by local imposition, is an important consideration.

The burden of both forms of taxation has to be assumed by local residents and the economic consequences of these dual arrangements have to be evaluated in conjunction with one another. When the fiscal activity of both school tax authorities and school boards is examined as a whole, it is evident that less than one-quarter of all local school revenue is obtained from levies on real property. More than three-quarters of school requirements, in short, are raised from flat-rate, highly regressive poll taxes and family assessments. To an already regressive municipal fiscal structure heavily dependent upon fuel taxes, service fees, and water rates must be added these equally regressive school levies. This fiscal arrangement is found in no other North

American jurisdiction. Some years ago the Royal Commission on Education and Youth recommended that:

> "A real property tax be levied at a uniform rate on equalized assessments throughout the Province. The levy should be collected by the Province and applied to the cost of the foundation programme (recommended by that Commission)"
>
> *(Report of the Royal Commission on Education and Youth*, Vol II, p. 166)

This proposal was not implemented by the government. It should be noted, however, that due to the substantial provincial fiscal responsibility for education in Newfoundland, local ratepayers contribute toward education at levels far below those prevailing in most Canadian provinces. But Newfoundland's school boards not only receive substantial funds from government, school tax authorities and direct assessment levies; they also receive a substantial benefit from municipal services supplied to their tax-exempt schools by local ratepayers. This latter contribution is not normally computed when estimating the exclusively local cost of school services in Newfoundland.

(i) *Municipal Tax Delinquency*

Ever since statistics on municipal finance in this Province have been available for comparison with other provinces, Newfoundland has invariably recorded the highest annual ratios of local tax delinquency. When it is combined with the generally under-developed nature of the municipal revenue base, this condition tends to produce a substantial and persistent budgetary strain. Some few persons in all newly incorporated communities refuse to consider that they have any obligation whatever to pay municipal taxes, even when the district levies imposed are service fees of under $20.00 per annum. One large town in 1971 had an amount of taxes and water rates outstanding that represented 126.6 per cent of its total current tax revenue! In some smaller communities the councils have recently found it necessary to resort to commercial collection agencies in order to sustain their meagre fiscal operations. In one small town on the Avalon Peninsula with approximately 300 ratepayers, for example, no fewer than 170 were recently served with summonses to appear in magistrate's court for non-payment of $18.00 annual service fees. While these are no doubt exceptional cases, they nevertheless suggest the dimensions of the municipal tax default problem. In Table 7-2, Newfoundland's long-term record in this respect is compared with six other provinces.

It appears to be clear that there has been no long term improvement in tax collection performance in Newfoundland as there has been in, say, Saskatchewan. Currently, the Province's record in annual tax defaults is roughly ten times higher than in British Columbia, approximately four times higher than in Ontario, and about double the prevailing level in Nova Scotia. (All the provinces excluded from the above table fall within the Newfoundland and British Columbia limits.) New Brunswick is a special case due to that province's having taken over responsibility for municipal tax collection in 1967.

Table 7-2: Municipal Taxes Receivable as a Percentage of Current Local Tax Revenue, Newfoundland and Selected Provinces, 1954-1970

	NFLD.	N.S.	N.B.	QUE.	ONT.	SASK.	B.C.
	%	%	%	%	%	%	%
1954	41	28	34	N/A	11	32	9
1955	42	29	36	N/A	11	39	7
1956	46	31	35	14	11	35	7
1957	48	30	36	12	11	30	6
1958	44	31	34	13	10	26	6
1959	34	32	36	13	10	27	6
1960	32	32	36	16	10	24	5
1961	32	31	35	16	11	25	6
1962	39	35	35	18	11	23	6
1963	46	34	36	19	11	21	5
1964	40	31	35	N/A	11	19	4
1965	42	31	36	N/A	10	18	4
1966	42	25	36	16	10	14	3
1967	40	25	3	16	9	13	3
1968	44	23	4	16	8	14	3
1969	42	25	-	15	8	16	3
1970	39	24	-	14	9	19	3

Sources: Statistics Canada, *Local Government Finance (Actual)* 1954 to 1970.

Interprovincial comparisons of this sort, however, need to be interpreted with some caution. Different provinces follow different accounting conventions in the annual measurement of tax default, and attempts to ensure comparability across all jurisdictions are not always successful. It is of major importance, for example, to know when "uncollectable" tax debts are "written off" and thus excluded as part of "taxes receivable". And there is some variation in audit reporting practice in these matters even within each province. There is a tendency in Newfoundland, for instance, not to count outstanding service fees as part of outstanding taxes. Even when allowance is made for all of these qualifications, however, the Commission's conclusion is that tax delinquency nevertheless remains a near-chronic problem in many if not most local authorities.

Municipal legislation provides a number of devices which are intended to ensure that taxes lawfully imposed by councils can in fact be collected. Section 72(1) of *The Local Government Act*, for example, provides that:

> "All taxes imposed under this Part may, in addition to all other methods of collection provided in this *Act*, be sued for and collected by action in the name of the council as a civil debt due the council."

The same section empowers councils to "impound" the rental payments of tenants (due to owners) in respect of any outstanding real property or business taxes owed by such owners. Section 95(1) also provides that:

> "All taxes imposed in respect of any property within the municipality shall for a period not exceeding six years from the date when due, attach to and upon the property in respect of which they are imposed, except where the property is sold for taxes at the suit of the council."

Special provisions apply to ensure that tax obligations to councils are unimpaired in the case of property held under building leases and in respect of all real property mortgage transactions. Subsection (5) of Section 95 also stipulates that:

> "For the purpose of enforcing the lien or charge given in favour of the council by this section, the council may proceed by foreclosure in the same manner, as if the council held a mortgage on the property to which the lien or charge attaches which ranks in priority to all other encumbrances on the said property whether registered or unregistered."

Finally, Section 98 of *The Local Government Act* enables councils to undertake tax collections through criminal as distinct from civil process. That provision reads as follows:

> "Any person who fails
> (a) to pay any tax which he is liable to pay in accordance with this *Act;* or
> (b) to collect and pay to the council any tax which he is directed to collect and pay over by this *Act*,
> is guilty of an offence and liable on summary conviction to a fine not exceeding twenty-five dollars or in default of payment to imprisonment for a term not exceeding fourteen days or to both such fine and such imprisonment, and each day's continuance of such failure constitutes a separate offence."

These enforcement provisions would also appear to apply in respect of municipal licences and service fees, for under Section 76 of the *Act*, a "tax" is deemed to include "a licence or other fee referred to in this Part". *The Community Councils Act*, on the other hand, merely assigns to councils the authority to "impose upon, sue for and collect from" persons, companies or other legal entities lawfully enacted business taxes and community service fees and, in the latter instance, to require employer deductions from the salaries or wages of their employees and remittance of these collections to the council. Other enforcement provisions are found in respect of the fuel oil levy, vehicle tax, miscellaneous taxes and dog licencing. Although somewhat different procedures are involved, Section 274 (5), (6) through 282 and Section 295 of *The City of St. John's Act* confer similar enforcement authority in respect of the capital city's principal levies. *The City of Corner Brook Act* makes tax enforcement procedures in that municipality similar to those found in *The Local Government Act*, but Section 141 (6), (a)-(e) of the latter statute provides in detail for real property sales for excessive tax indebtedness.

It is the Commission's view that Newfoundland's very high level of tax delinquency is not attributed to a defective or insufficient legal provision for enforcement. These arrangements, in fact, are very similar to those found in other jurisdictions with relatively high tax collection records. Administrative arrangements concerning the methods of tax billing, collecting and monitoring tax receivable accounts, however, are often at fault. More frequently, councils in smaller communities do not feel inclined to use their statutory collection powers. In towns with the property tax, councils are not only loath to expropriate land for public purposes but are traditionally permissive in the matter of land sales for tax arrears. And the Commission received some considerable evidence alleging an ineffective enforcement by magistrates. In one instance it was claimed that the local magistrate "refused" to proceed with tax arrears cases; in another, that he was not sufficiently strict; and in one notable instance that the magistrate had himself "refused" to pay the town service fee on the ground that he was not "employed" in the municipality! One submission to the Commission reads as follows:

> "This town, as previously mentioned, recently took delinquent taxpayers to Court with the assumption that when conviction was made the offender prior to leaving the Court would have to make an agreement with the Court to pay a set amount of money each month until paid. However, this was not the case. By a layman Councillor referring to Section 98 (of *The Local Government Act)*, dealing with the above situation, he would think that all his problems would be solved by this course of action. In this section a lot is left up to your imagination, in as much as it does not say whose head the "Onus" will be put on for insuring that the offender pays his debts. As mentioned earlier in this brief and (as) now recommended . . . (what is needed) is a more clear cut *Act* prepared so that the common Councillor can read, understand and apply these rules for the good of his municipality."

(j) *Tax Administration: Exemptions and Local Improvement Assessments*

Legal provisions respecting local tax exemptions and the practice followed in connection with local improvement assessments have a central bearing on the size and productivity of the municipal tax base. Prevailing arrangements in Newfoundland both of a legal and practical nature in regard to both of these key elements of tax administration now lag considerably behind developments in most other jurisdictions. At a time of growing provincial participation in municipal finance, there has emerged a clear trend toward extending local tax bases, minimizing exemptions and requiring that properties receiving the direct benefit of municipal services be assessed a portion of the public cost of those benefits. In the case of some local services, for example, the benefits accrue in the form of direct capital gains to property owners.

Exclusive of the provisions for tax discounts, the substitution of services or materials in lieu of taxes, and industrial (special) exemptions, Newfoundland's *Local Government Act*, Section 83, exempts the following ten classes of persons, groups or institutions from both the real property and the business taxes:

(1) *Property* belonging to Canada or any province.
(2) *Property* belonging to any municipality, including property vested in any public body or authority established to provide public service of any kind in the municipality.
(3) *Property* specifically exempted from tax by action of the legislature.
(4) *Land and Buildings* "used for religious purposes".
(5) *Land and Buildings* "used in connection with and for the purpose of a hospital which receives aid from the province".
(6) *Land and Buildings* "used for educational purposes".
(7) *Land* "vested in any library board ... *and any building* situated thereon and used mainly for the purpose of a library".
(8) *Property* "acquired by any society, association or person on account of its historical interest for the purpose of maintaining, preserving and keeping property open to the public on a non-profit basis".
(9) *Land* "used solely on a non-profit basis for community games, sports, athletics and other forms of community recreation or *as the site of a building* ... and *any building thereon* used for any of those purposes".
(10) *Property* "owned and used by a charitable or philanthropic institution, incorporated or unincorporated, used by the institution for its own purposes".

Section 96 of *The Local Government Act* also authorizes councils, at their own discretion and by unanimous decision of those present and voting, to exempt farm lands within the municipality, in whole or in part, from real property taxation or from local improvement assessments. It is stipulated that the degree of exemption should be related to the measure in which the land in question does not benefit, directly or indirectly, from the provision of services. Section 97 of the same *Act* enables councils to employ an identical procedure in granting other exemptions from municipal taxes, in whole or in part, but always subject to the Minister's approval and subject to any conditions which he may impose. Section 87 of the *Act* allows councils to waive entertainment taxes when the entertainments are provided on behalf of "charitable, educational or religious purposes"; Section 89 exempts circus licences from the entertainment tax; Section 94 (4) exempts from the fuel tax all vessels purchasing coal, oil or propane gas while engaged in the coastal trade, and all fishing vessels, trawlers and craft whose catch is processed in Newfoundland; Section 92 (1) (a) (iv) and (v) exempt persons liable to pay the property tax (in an amount greater than the municipal service fee) from the municipal fee, and also exempt persons ordinarily resident in and liable for taxes in other municipalities from the latter levy. Identical exemptions are found in *The City of Corner Brook Act,* and also in *The Community Councils Act* in respect of the fuel tax and the community service fee.

Section 254 of *The City of St. John's Act* allows the council to reduce the city tax when premises become vacant; and Section 261 (3) authorizes the Court of Revision (after a hearing) to authorize remission of the city tax for one year "when the owner assessed is in indigent circumstances". But the major tax exemptions provided in the city Charter are found in Section 271 as follows:

(1) *Crown property* used for the following purposes:
  (a) hospitals;
  (b) nurses' homes;
  (c) homes for the insane;
  (d) homes for the aged or infirm;
  (e) and all other like establishments;
(2) *Lands and buildings* used by the fire department;
(3) *All other government buildings* (except a small annual charge to be levied, as noted in the next section, in respect of water consumption on crown premises);
(4) *Every building* "held and occupied for public worship";
(5) *Every building* "held and occupied as a public college or school or for other educational purposes";
(6) *Every building* "held and occupied by a charitable institution".

Section 283 of *The City of St. John's Act* similarly provides exemptions from the city fuel oil tax, which extends to coastal and fishing ships, and oil delivered to the city for delivery and consumption outside its limits. Section 284 enables council to waive the city entertainment tax in instances where the profits are to be applied for a number of designated public benefits. Section 294 grants exemptions in respect of the (unused) poll tax.

It may be noted that the statutory tax exemptions in the case of St. John's are less extensive than those for other Newfoundland municipalities. Only "buildings" used for "public worship", for education and for charitable purposes are exempt, whereas in *The Local Government Act* the equivalent exemptions apply to both *land and buildings*. There is also an interesting semantic nuance as between an exemption of buildings used for "public worship" and of land and buildings used for "religious purposes". "Non-profit" recreational and historical society exemptions found in *The Local Government Act* do not appear in Section 271 of the capital city's charter.

There is one important qualification, however, in relation to the ten exemption classes set out in the former statute: Section 81 (1) decrees that when *any* property exempt from taxation is occupied by a tenant who pays the owner "rent or other valuable consideration", such tenant becomes liable for taxation as if he were the owner and as if the property were liable for taxation. A somewhat similar provision is found in Section 241 of *The St. John's City Act*.

A second very distinctive feature of Newfoundland's municipal tax administration, which in practice leads to widespread tax exemptions that are not required by statute, concerns the attitude of citizens and councils respecting the ownership of land. This attitude appears to have a peculiar, mystical quality about it which effectively prevents some councils currently using the property tax from exercising the full range of fiscal options available to them under Section 81 (5) and (6) of *The Local Government Act*, as follows:

> "(5) The real property tax may be imposed in respect of one or more or all of the classes of real property defined in sub-section (6).
> (6) In this section 'real property' includes
> (a) land;
> (b) all buildings and all machinery and fixtures erected or placed in or on any such building or part thereof (including trailers occupied for a period of not less than three months);
> (c) all structures and fixtures erected or placed upon, in, over, under or which are affixed to any highway or other public communication, land or water".

It is thus the practice of some towns to direct assessors to conduct valuations only of buildings and the land upon which they are directly situate, rather than upon the buildings and improvements together with *all* the land in the owner's (or tenant's) property. Next, there is the problem of vacant private land for which no owner can be found. Municipal leaders complained about this condition to the Commission, but they seemed generally unwilling to exercise their powers delegated in respect of expropriation, the imposition of liens or the execution of tax sales. Indeed, most of them appear to be uncomfortable even discussing the *possibility* of using such instruments. On one occasion where expropriation was used, however, unknown non-resident alleged owners from Toronto and the Boston states soon appeared in defence of their interest. These twin difficulties, when combined with not uncommon substantial tracts of unrented church or other tax exempt land, significantly reduce the tax base in many municipalities. When there is a high demand for residential development, as there is to an increasing extent in many municipalities, these anomalies clearly reduce the flow of private land onto the market, since no tax carrying charges are imposed on many owners. And when this phenomenon is combined with the difficulties encountered in securing crown land access, the attempts of councils to provide developed land for residential building lots are frequently frustrated.

The matter of occupied land whose owner is unknown, on the other hand, presents a smaller fiscal problem. Under Section 82 (1) of *The Local*

Government Act the occupier in such instances is treated for property tax purposes as if he were the owner of the land.

Not only is it widely regarded that land should be exempt from municipal taxation, but it is also believed that in some mysterious manner the owners of land are vested with an inherent right to the capital gains accruing to them individually when public services such as paved roads, water and sewerage lines and other services (provided to an increasing degree by all the taxpayers of the Province) are laid past their properties. This entire complex of attitudes respecting land ownership reflects a pre-development and a pre-municipal era when in most Newfoundland communities there was no market in land and when these assets did not really represent tangible wealth. For the vast majority of communities experiencing population growth, which in today's circumstances means more than two-thirds of the town municipalities, it is the purest of fictions to suggest that a market for land and buildings does not exist, and that private gains are not in fact unduly enhanced through tax exemptions. (For municipal population growth trends, see Table 2-2 and 2-3, above.)

The cumulative effect of these attitudes and practices, moreover, is generally to increase the unit cost of municipal service installations, to increase the monthly, flat-rate user service charges which must be imposed on residents, and to increase the provincial government's cost of its on-going provision of subsidies on behalf of local service debt carrying and repayment costs, most of which now must be sustained over a forty-year liquidation period. Yet all non-city municipalities have a quite adequate legal authority to levy a tax on those whose properties in new subdivisions receive direct benefit from service installations or extensions. Sections 113-116 of *The Local Government Act*, for example, enable councils to levy on all lands affectd by service improvements an assessment based upon the usual frontage ratio formula to cover development costs for a period not exceeding 15 years. Similar powers are conferred upon Corner Brook and St. John's, and in the latter case local improvement charges can even be levied beyond the city boundaries. Outside the cities and some of the larger towns, however, councils have generally not availed of these powers.

But the Commission emphasizes once more that the statutory powers described above exist *only in relation to new developments or subdivisions*. What about the service cost recovery in connection with vacant land in the already developed parts of municipalities (i.e., along existing rather than new roads)? Where the municipality levies a property tax on all land, and where the owner is known and is in fact contributing his full annual taxes, the service benefits accruing to vacant property are compensated at least in part by the owner's normal tax payments. Unfortunately, most municipalities do not levy the property tax and some of those that do, as we have indicated, decline to assess all "parcels" of land. And when the ownership of vacant land is not known (within the developed areas) a further anomaly is created.

Even Sections 90 and 91 of *The Local Government Act*, which enable councils to impose water and sewerage rates on the owners or occupiers of premises *not* connected with municipal water or sewerage systems, do not extend to vacant land. The Commission concludes that there is a thorough confusion in this matter, sometimes marked by an unwarranted concern with "overtaxation" of vacant land owners! In other cases, there is a failure to appreciate that capital appreciation occurs in respect of vacant land when services are provided, irrespective of whether or not those services are immediately consumed by the owner or occupier. This obvious and widespread aversion to the most equitable forms of service cost recovery on the part of Newfoundland's municipal councils represents an anomaly not found in other jurisdictions.

Remaining tax exemptions are made at the discretion of councils. Corner Brook has introduced a residential real property tax relief programme on behalf of elderly citizens. Quite a number of councils exempt wives and widows from the service fee when income in a residential household is confined to the old-age pension. Municipal legislation requires that taxation be levied at a fixed rate throughout each local authority. It has not been possible, therefore, to introduce "split rate" differentials as between residential and non-residential properties, thereby giving low income persons, social assistance recipients and pensioners some direct form of tax relief. (It is questionable, however, whether in fact this split-rate device, first used in Halifax in 1943 and lately introduced in Quebec's cities and Ontario's municipalities, actually achieves its intended purpose: tax reductions achieved in this manner on residential properties are necessarily offset by increased business taxes which in the main tend to be shifted to consumers.) There have been no experiments in Newfoundland with the "home owner" grants developed in some American and Canadian jurisdictions during the postwar period (e.g., British Columbia and the three prairie provinces). Nor has there been any attempt made to secure residential property tax relief through measures such as Ontario's original "basic shelter exemption" and its subsequent "property tax credit" plans. (A summary of these programmes is provided in Appendix E.)

(k) *Industrial and Utility Contributions*

Most small and medium sized business concerns make their contribution to municipal revenue through the business tax. Some large industrial corporations, however, are exempt from such tax and make direct annual payments to local authorities. The two paper manufacturing units at Grand Falls and Corner Brook not only contribute annually in respect of school and municipal purposes in the local authorities within which they are situated, but also in surrounding municipalities where they maintain shipping, power generating or woodland operations. Payments in this latter case, however, tend to be made in small amounts and are frequently intermittent in nature. The Bowater company now contributes an annual amount to the City of Corner Brook of $300,000, recently increased from $280,000. (Its contribution on behalf of schools was in 1973-74 one-tenth of its municipal payment). The company is under no legal obligation to make local contributions of any kind. The Price company, on the other hand, operates to some extent under an agreement negotiated when the community assets formerly owned by the predecessor company (A.N.D.) were transferred to the town of Grand Falls. Under that agreement, of 20 years duration, the company contributes to the town $100,000 annually, together with supplementary amounts related to property transfer arrangements. In a relatively short period this agreement will have to be renegotiated.

A very special situation obtains with respect to the Iron Ore Company of Canada and Wabush Mines Limited in Labrador West. Both companies have assumed a major responsibility for the provision of local facilities in the local improvement districts of Labrador City and Wabush, including substantial debt obligations for various municipal capital projects. This latter condition is unique. The first company has contributed toward Labrador City's current budget at levels varying from $1,300,000 to $750,000 annually. The second company's contribution to the smaller unit of Wabush has been between $200,000 and $100,000 annually. These arrangements are "open ended and are not based upon formal agreements. The mining companies on the Island, notably those in the Green Bay area, have traditionally made large payments to the principal towns in the region. Advocate Mines (a subsidiary of the Canadian Johns Manville Company), for example, assumes by statute responsibility for 45 per cent of Baie Verte's annual current budget. The Company's payments in this respect have recently exceeded $100,000 annually. For purposes of illustration, we cite the relevant sections of *The Advocate Mines Limited Agreement (Amendment) Act, 1963*, as follows:

> "19C. - (1) Subject to this Clause 19C, whenever the Company conducts mining operations in any area under an assurance of title derived by or under a mining lease issued by the Crown to the Company pursuant to Clause 10 and is subject to taxation by any municipality or other local taxing authority exercising jurisdiction over that area, the taxes levied by such municipality or other local taxing authority against the Company for any year, together with the taxes levied by such municipality or other local taxing authority against all other industrial establishments and activities for such year shall not exceed in the aggregate forty-five per centum (45%) of the total taxes levied by such municipality or other local taxing authority for such year.
>
> (2) In lieu of all taxes which may now or hereafter be imposed on the Company by the Town Council of the Town of Baie Verte, the Company shall, for the calendar year 1963, and for each and every succeeding calendar year, pay to the Town Council a sum equal to forty-five per centum (45%) of the estimated expenditure of the Town Council, during the calendar year for which the payment is to be made, from revenue derived from the aggregate of
>
> (a) all taxes, water rates and sewerage rates imposed in the Town of Baie Verte by the Town Council;
>
> (b) the sum to be paid by the Company under this subclause (2); and
>
> (c) all sums to be received by the Town Council from the Province
>
> (i) by way of grants on the basis of revenue accruing to the Town Council from the taxes, rates and sum referred to in paragraphs (a) and (b)

of this sub-clause (2), and

(ii) as per capita road grants,

as shown in the budget of the Town Council for that calendar year, approved in accordance with *The Local Government Act, 1961*, as amended or any *Act* standing in the place of the said *The Local Government Act, 1961*, but if the approved budget is revised in accordance with any such *Act*, such estimated expenditure as shown in the revised budget shall be substituted.

(3) The payment referred to in subclause (2) of this Clause 19C for any calendar year shall be made by the Company on or before the thirtieth day of June in that calendar year, and every such payment shall be adjusted during the following calendar year to reconcile it with the audited annual account of the Town Council submitted in accordance with *The Local Government Act, 1961*, as amended, or any *Act* standing in the place of the said *The Local Government Act, 1961*, and such adjustment shall be made before the expiration of three months from the date on which such audited annual account is submitted, and at the time of such adjustment, account shall be taken of a budget that was revised during the calendar year covered by such payment, after the payment was made.

(4) If a primary industry other than that of the Company is operated in the Town of Baie Verte, and the operator of that other primary industry is liable to pay taxes, water rates or sewerage rates or to make a payment in lieu of such taxes and/or rates to the Town Council, then, the amount which the Company is required to pay in any calendar year under sub-clause 19C shall be reduced by the amount of such taxes and rates or such payment.

19D. - In the conduct of mining operations under the assurance of title derived by or under a mining lease issued by the Crown to the Company pursuant to Clause 10 of this Agreement and in the performance of any work and the establishment, maintenance or repair of any works, buildings or facilities whatsoever connected with or incidental to such mining operations, the Company shall give prior opportunity of employment to persons ordinarily resident in the province and shall give preference in consumption or use to machinery, equipment and materials manufactured or produced and distributed and serviced in the province, and the Company shall use its best endeavours to give effect to the provisions of this Clause 19D."

Other mining companies, including Consolidated Rambler, Atlantic Coast Copper Company, and Gullbridge Mines are making or have made contributions to the Green Bay School Tax Authority and to the town of Springdale. The American Smelting and Refining Company, on the other hand, makes no formal municipal contribution whatever, since its principal townsite at Buchans is not incorporated. Newfoundland Fluorspar Limited has contributed approximately $10,000 annually to the town of St. Lawrence but evidently made no contribution in 1973-74 to the School Tax Authority. The Commission has examined 64 separate statutes incorporating agreements between mining, mineral exploration or other major industrial concerns and the Government of Newfoundland. A great many of these statutes (except the case of Advocate Mines noted above) apply the *40 per cent rule*. *The Government of Newfoundland-Brinex (Amendment) Act* of 1963, in Section 3 (3) for instance, stipulates that: "Whenever Brinex . . . is subject to taxation by any municipality . . . the amount levied together with that levied against all other industrial establishments . . . including . . . hydro electric developments . . . shall not exceed 40 per cent of all municipal taxation." This formula applies to the Atlantic Gypsum and Flintkote enterprises in the St. George's Bay area, and also to the Electric Reduction Company's operations at Long Harbour. In some instances, however, the statutory agreements confer upon companies a complete immunity with respect to municipal taxation. Thus, *The Cominco Limited . . . (Agreement) Act* of 1967 provides in Section 18 that "The Company shall not at any time be liable to pay any taxes other than taxes of general application." Some older Statutes (e.g., the Government-D.O.S.C.O. (Confirmation of Agreement) statute of 1954) restricted a company's municipal tax liability to some fixed annual dollar amount. This latter practice, however, is no longer followed.

Due to the nature of Newfoundland's economic structure, very few smaller business enterprises provide special municipal or school contributions. In the course of its inquiry the Commission examined municipal budgets in relation to *all* private business enterprises located within their boundaries; it found that virtually none received regular, special contributions from small companies. These units, in short, tend to support local government only through the normal business tax levy. Aside from a very few small manufacturing industries located mainly in the larger centres, most business enterprises in Newfoundland's municipalities consist of commercial distribution or retail firms, small food and beverage operations, sawmilling, shipbuilding and transportation firms. With very few exceptions, the fish processing industry makes no regular, special contribution to municipal budgets. Of the more than 50 registered fish freezing and filleting plants operating within the Province, for instance, less than five make regular municipal contributions separate from or in lieu of their normal business tax payments. At least until 1972, none of these contributions exceeded $10,000 annually, and two of them were only $1,000.

Except in a discretionary manner, and subject always to Ministerial approval, local governments cannot grant tax exemptions to business enterprises. Nor are municipalities, with one exception, permitted to enter into long-term agreements with private industrial enterprises granting them a preferred tax status. The exception is found in Section 272 of *The City of St. John's Act*, as follows:

> **"It shall be lawful for the Council to exempt from all or any taxes imposed by this *Act* for a period not exceeding ten years any existing or projected enterprise which in the opinion of the Council will by the provisions of employment directly or indirectly or otherwise**

be of sufficient benefit to the inhabitants of the City to justify such exception in the public interest."

The existence of this latter power is at variance with municipal practice in most other jurisdictions where the tendency is increasingly to prohibit local authorities from entering into such agreements and, in some cases, to force a renegotiation of existing agreements in accordance with province-wide standards applicable in respect of all special industrial contributions to municipal governments. The Bowater case, on the other hand, is probably now unique in the nation. The Commission could discover no other paper manufacturing unit in Canada which was not subject to normal business tax assessment and which did not have some commitment *by formal agreement* in respect of its municipal contributions. Based upon its examination of tax practice in other jurisdictions, the Commission believes, however, that the voluntary payments now made by the company in respect of municipal and school purposes in Corner Brook and in other municipalities is not substantially lower than that currently required of comparable production units in the Maritime Provinces.

Next, some attention is given to utility companies. As it exists today, the Newfoundland Light and Power Company Limited, the Province's principal privately-owned distribution utility company, was formed in September 1966 by the amalgamation of Newfoundland Light and Power Company Limited, The Union Electric Light and Power Company, United Towns Electric Company Limited, The Public Service Electric Company Limited and The West Coast Power Company Limited. Each of these predecessor companies operated under the provisions of various statutes which have continued to apply in the appropriate areas following the amalgamation; consequently, the variety of taxation and other arrangements in effect prior to 1966 has been continued. The amount paid by the company in municipal taxes during 1971 in St. John's was $137,952; in the Corner Brook area it was $46,448; and in Central Newfoundland it was $26,024.

The Union Electric Light and Power Company Acts 1916-1944 make the Company liable for all municipal taxes imposed within its franchise area. But only five councils in fact have imposed business taxes. The total amount paid in 1971 was $672.

The United Towns Electric Charter passed in 1902 made the company liable for water rates on all lands and buildings owned by it, but otherwise made it exempt from taxation. In 1943, however, *The United Towns Electric Company Limited (Taxation) Act* provided that save for a preferential customs duty on plant, etc. for operations of the company on the Burin Peninsula, any right to exemption from taxation enjoyed by the company shall not extend beyond the 15th day of April, 1963. Nevertheless in 1971 only five of the 54 municipalities located in the areas served by the company prior to amalgamation imposed taxes on it. The total amount collected was $717. It thus seems obvious that the company's liability for municipal taxes, apart from water rates, is unclear to the councils.

The Public Service Electric Company Limited is a wholly owned subsidiary of United Towns. It enjoys no exemption from municipalities but furnishes services only to its parent company. No municipal taxes were levied upon it in 1971. Finally, the West Coast Power Company Limited, also a wholly owned subsidiary of United Towns Electric Company, enjoys no exemption from municipal taxes. Only two of the 10 municipalities located in the areas served by the company prior to amalgamation imposed taxes on it in 1971. The amount collected was $1,977.

The Bowater Power Company Limited is exempt by statute from paying municipal taxes but pays grants in lieu of taxes in those municipalities where it supplies service.

Newfoundland Telephone Company Limited has not enjoyed any exemption from municipal taxation since September 1949. As of July 31, 1972, business taxes were imposed by 19 municipalities and the property tax by nine, all of which are included in the 19. The business taxes are based on assessed property value, or gross sales or sometimes levied as a fixed charge. The property tax is either a fixed charge or is based on the assessed value of the property. In 1972 this Company had 110,000 telephones in 59 exchanges, many of which served two or more communities.

Canadian National Telecommunications is a federally-owned public utility that in 1972 had about 40,000 telephones in over 100 Newfoundland exchanges, many of which served two or more settlements. Being a crown agency, it cannot be subject to municipal taxation; but it does in some circumstances pay grants-in-lieu of taxes.

The business and other taxes imposed on telephone companies, however, should not be confused with the telephone tax. Municipalities in Newfoundland are authorized under the provisions of *The City of St. John's Act*, *The City of Corner Brook Act* and *The Local Government Act* to impose a telephone tax upon every subscriber of $1.00 a year for each main line telephone supplied within the municipality. Where the tax is imposed the Telephone Company must collect and pay it over to the council on or before a prescribed date. Community Councils are not empowered to collect a telephone tax.

(l) *Government Grants-in-lieu of Municipal Taxation*

It is a fundamental point of Canadian constitutional law that no level of government can impose taxation on the assets of any other level of government. Thus the federal government cannot tax the assets of provinces and their municipalities, and *vice versa*. As we have already seen, municipal legislation exempts the property of the Crown provincial and its agencies from local taxation, except where crown land or premises are rented, or where taxation is otherwise authorized by statute. But most senior governments recognize that municipal taxpayers must in fact incur costs in connection with the services supplied to tax-exempt government property. In 1951, accordingly, the federal government introduced its *Municipal Grants Act*, and payments made to all Canadian municipalities under its provisions have grown in annual amounts from $1.4 million to some $70 million in 1974. The Commission estimates that only about $400,000 of this latter amount will be transferred to Newfoundland's municipalities and school tax authorities during the current year. The reason for this obvious disparity is due as much to the nature of the local fiscal system in this Province as it is to the relative scarcity of federal government properties located within municipal boundaries. Some clarification of these matters is required.

Under *The Municipal Grants Act* the major federal departments now compensate municipalities mainly by way of (1) grants in lieu of real property taxes and (2) grants in lieu of local improvement assessments. Properties administered by certain federal crown agencies (e.g., Canadian National Railways and its subsidiary Canadian National Telecommunications) are excluded from the above *Act*, since they are now authorized to make payments in lieu of taxes directly to municipalities. C.N.R. and C.N.T., for example, at present make full grants in lieu of taxes to all municipalities and school tax agencies in respect of (1) the real property tax, (2) the business tax, (3) the school tax (when it is based upon real property valuation), (4) business licence fees imposed in lieu of real property tax, and "local improvement charges for works which bring significant benefit to railway property". (The estimate of $400,000, noted above does not include these C.N.R. and other federal crown agency grants to local authorities.)

As a general rule the federal government pays grants equivalent to full taxes on its land and buildings where normal municipal services are performed. Adjustments for the value of services that are not accepted in respect of federal property and for the value of services furnished to taxable property by the federal government, may be made. Under regulations the Minister has also provided payments to rural municipalities that incur special expenses by reason of the existence within or near their boundaries of property forming part of a defense establishment. Some important practical consequences flow from these rules. Municipalities not levying real property taxes or special improvement assessments can receive *no* grants in lieu of taxes. Where local assessments are inflated, or where the services provided are below acceptable standards, grant payments can be reduced accordingly. When the Baie Verte School authority (which raised its levies on a property tax base) became a part of the enlarged Green Bay authority (which levied its assessments exclusively on a poll tax base), for instance, all federal school contributions ceased. The C.N.R. (and its subsidiary C.N.T.) unlike the federal departments, pays grants in lieu of local business taxation. Some municipalities do not receive their grants because they do not communicate their tax rates to the C.N.R. tax commissioner! The Commission has been informed, for example, that in regard to C.N.T. grants, one Newfoundland school tax authority received no payment during either 1971 or 1972, because "no tax rates (were) received since 1969/70". It should be noted that the C.N.R. tax commissioner advises that if required to do so he attempts to secure these rates by correspondence with school and municipal authorities. It seems clear, therefore, that the main explanation for the prevailing low level of federal grants in lieu of taxes is found in the under-utilization of property taxation and local improvement assessments in Newfoundland, combined with administrative complications of the kind suggested above. But this limitation does not apply in respect of the cities and the larger towns using the property tax, except that the "bargaining" feature inherent in the federal regulations can produce difficulty. Port aux Basques, for instance, experienced a considerable delay in achieving an agreement concerning the valuation to be used for determining the C.N.R. grant in lieu of taxes on port and other rail facilities located in the town.

In virtually all provinces except Newfoundland during the last decade, similar grant programmes have been developed in respect of provincial government property located within municipal boundaries. As early as 1962, Alberta enacted legislation providing for a broad range of grants in lieu of taxes on crown property, up to levels that would have been paid had it been taxable, including the legislative buildings in Edmonton. Hospitals and education facilities are, however, still exempt. In Ontario much the same programme was introduced some years ago. More recently, grants in lieu of taxes to municipalities servicing universities and trades colleges have been established at a level of $50 per full-time enrolment. In 1973, grants in lieu of taxes on behalf of public hospitals have been established at $50 per rated bed. New Brunswick now has the broadest policy in this area. It makes grants in respect of all provincial property, except crown lands, including schools and hospitals. The recent *Task Force Report on Municipal Structure and Financing in New Brunswick* recommends, moreover, that the province next make grants on behalf of universities and colleges, "subject to any justifiable reduction due to below normal demands for municipal services."

Newfoundland, as indicated earlier, has no such general programmes. The Province makes a small token payment to St. John's (5% of rental value of certain government buildings in lieu of a rate for water consumption and for protection), and permits the Liquor Corporation's retail outlets and, more recently, the Holiday Inns to be taxed for local purposes. There are, we note finally, a substantial number of crown agencies and corporations engaged in commercial activities that require local services but for which no grants in lieu are provided.

2. Representations Received by the Commission

There were few comprehensive proposals received by the Commission which attempted to suggest a suitable alternative revenue system for Newfoundland's municipalities. Most submissions emphasized the prevailing difficulties. Many of them suggested improvements with respect to specific taxes or methods of tax administration. In the following pages these detailed presentations, of which there were 88 in all, are summarized.

(a) *Real Property Tax*

Five municipalities and one individual recommended that the real property tax be much more widely used. Two of the six recommended that rates be uniform, at least within a region. One representative felt that the service fee should be dropped if the property tax were imposed. Another said that the real property tax should be based on the replacement value, rather than upon "capital" or "rental" values. Five municipalities that do impose the tax felt that they could not raise the rate. One representative said that it was the real property tax which was always in arrears. One municipality claimed that it had been forced to discontinue use of its property tax; another said that it could not impose the tax because people simply could not afford to pay such a levy. The former unit also thought that there should be uniform tax rates throughout the Province. One council recommended that a property tax should be applied exclusively to land and that private dwellings should be exempt. Another representative recommended a property tax confined to rental properties, based on the capital value of the properties.

(b) *Assessment*

Two municipalities experienced no problems with the current assessment programme, but considered that the statutory requirement of five years between assessments was too long. Five municipalities claimed the Assessment Division was understaffed and that some of its staff were not fully qualified. The resulting delays and poor assessments, they argued, meant a loss of revenue to the municipalities. Indeed, one of the five was paying to have an assessor flown in from Nova Scotia.

One individual complained of an error made in assessing his house, which he felt resulted from the poor calibre of the assessor. One municipality recommended that the costs of the five year reassessment should be shared with any school tax authority that uses the municipal assessment rolls. It also suggested that C.N.R. property (wharves and tracks) should be taxable. Two individuals complained that the basic principle of assessment was inequitable. However, if there was to be assessment, one thought that assessors should be responsible to the council, and that public listings of roll changes, public Court of Revision hearings and public written judgments should be part of the system. One municipality noted the difficulty of applying its business tax, based on the real property tax, to local businesses selling mobile homes and used cars.

(c) *Business Tax*

Two municipalities recommended that the ceiling on the business tax be raised. (One also recommended that the ceilings on all taxes be raised and that all municipalities be exempted from the Province's retail sales tax.) One of the two tied its recommendation to the local situation and to prevailing low revenue from a fish plant. Another said it did not get much either, but did not expect much. A third suggested industry should contribute to municipal revenue on a par with government. One municipality recommended that a uniform method of applying the business tax should be imposed by legislation. One individual businessman complained the tax was too high in his municipality. One municipality said it used a low rate of business tax as an incentive to attract industry to the place when it was first incorporated. Another municipality thought that it was an advantage to have the tax rate approved at a general meeting in the small communities. One local authority and one individual recommended that both a turnover and business tax be authorized in any community so that business done from homes, cars, and booths could be taxed; but only one tax should be applied to any one business.

(d) *Fuel Tax*

Two municipalities suggested that a tax on insurance premiums could replace the fuel tax. Another complained that because the federal Department of Transport was supplying its employees with fuel, they were thus able to avoid payment of the fuel tax. Twelve municipalities and one individual thought that there should be a tax imposed on electricity used for heat. The individual recommended a formula based on the BTU equivalent of oil. One municipality went even further and suggested that any electricity over the average need in homes with no electrical heating should be taxed. Another proposed the tax on electricity should be small and that it be collected by the Newfoundland Light & Power Company.

Three municipalities replied, in answer to questioning, that they had never considered such a tax.

(e) *Service Fee*

Two municipalities recommended that the ceiling of $40.00 should be lifted and that each municipality should establish its own rate. (One also said that there was pressing need for some method of specifically taxing apartment dwellers, but had no concrete suggestions to offer on how that objective could be achieved.) One representative wanted the minimum service fee raised from $5.00 to $10.00. Another recommended that the service fees be calculated on a strict total payment for services received, by dividing the total cost of all services provided in the place by the number of householders receiving them. A poll tax should be imposed on all others. (This recommendation was part of a larger proposal for a recast local revenue system.) One municipality said that it had great difficulty in collecting this tax because most of its residents did not work within its boundaries and were refusing to pay their service fees, including the local Magistrate.

(f) *Imposition of Water and Sewerage Rates*

While the Commission heard many proposals concerning the financial and operating problems associated with water and sewerage services, it received no comments on the imposition of water and sewerage rates or taxes. (In Chapter 5, however, one special difficulty regarding the imposition of these taxes was noted.)

(g) *Miscellaneous Taxes*

One municipality recommended that community councils be authorized to tax amusements (i.e., billiard and pool tables, juke boxes and slot machines, bowling alleys and other entertainment events). Powers to tax in these areas are not delegated under *The Community Councils Act*. One representative recommended that the Vehicle tax should be collected when people buy their licence plates and two suggested the Motor Vehicle Registration Division should regularly provide municipalities with lists of cars and their owners. One of the two thought this tax, like the service fee, should be deducted from employee payrolls. One municipality proposed the introduction of a new tax on contractors, to be based upon a percentage of the total contract awarded; it should be authorized in legislation immediately.

(h) *School Tax Authorities*

Two municipalities stated that the present arrangements are very confusing, and that people regularly confuse the tax authority with the municipal council. Three local representations recommended that no school tax authority should be permitted to impose taxes in a municipality without first consulting the council. One individual went all the way and recommended that the budget of the school tax authority should be subject to the annual approval of the council. Another person recommended that the tax collection functions of council and authorities be combined.

(i) *Tax Delinquency*

Forty-one separate representations were received in this very sensitive area. Only 12 municipalities said that they had no trouble with tax or fee arrears. One of these expressed the desire to attach the wages of C.N.R. employees, but realized that it was technically impossible to do so. Another representative recommended that municipalities be empowered to attach the wages of public servants and that the provincial government undertake deduction of taxes from its employees. The representatives of two newly incorporated places claimed that they had at present no big problem with collections; but they expected that more and more people would try to avoid paying as word got around that some ratepayers were now delinquent. One municipality felt that the collection problems were due to the fragmented municipal tax structure; it recommended as a substitute the system of giving councils access to the income tax. Two municipalities felt that the central problem was a lack of clarity in *The Local Government Act*. It was claimed that it did not specify who should *enforce* tax collection.

Three methods of enforcement were discussed: the use of credit agencies, the initiation of court action, and the interruption of services. One municipality which had used a credit bureau found that its citizens much resented the practice. Three municipalities argued that a credit bureau was too expensive; and one of these pointed out that a bureau will not collect tax arrears from welfare recipients. Another municipality, on the other hand, had been using a credit bureau for two years and was entirely satisfied with the result. Three municipalities have found threatening or actually going to court a satisfactory method of collection. But one municipality planning court action against delinquents argued that the government should pay the council's legal costs. Four municipalities claimed the main problem associated with use of the court was the enforcement of the order. They recommended that the court, not the council, be made responsible for enforcing it. One other municipality complained of having taken 23 cases to court, yet only collecting $20.00 in each case, which merely paid the legal fees. (Prior to this action, it had tried attaching wages, but had to stop in the face of a wildcat strike). Two municipalities have found that the threat of terminating municipal services has produced payment, but another pointed out that the threat was an empty one if people were not "hooked-up". Some services, in any case, cannot be discontinued because the whole community would suffer: e.g., garbage accumulation would become a health hazard for the entire neighbourhood.

Twelve municipalities agreed that regional or central (provincial) tax collection would be a good idea; two had doubts (unexplained) about the concept. Only one of the 12 specified that tax rates should be made uniform if such a system were introduced. One municipality bills both members of a household on pension and tries to enforce both; three other places only bill the head of the household. Still another locality bills both regularly but makes no effort at enforcement of both claims. One municipality had encountered severe collection difficulties due to racial tension within the community.

The Commission received a dozen representations on the tax behaviour of social assistance recipients. Two municipalities stated merely that welfare recipients sometimes do not pay taxes and are therefore a problem. (Indeed one representative alleged that because the government includes an amount for taxes in its welfare allowance, this in itself constitutes an incentive for people to stay on welfare.) One representative said that there are differing policies regarding water and sewer rates and service fees for long and short term assistance recipients. He recommended that one common policy be established and enforced. Two municipalities recommended that the government should pay outstanding taxes in cases where the individual welfare recipient is unable to do so. In two instances it was considered too difficult for a council to grant tax exemptions to recipients of social assistance, since it would soon become impossible to set standards. In one case it was held that municipalities just could not afford to grant exemptions. A third local authority added it had to tax both pensioners of a household in order to get the revenue it needed. (One individual complained that this was a most unfair policy.) Finally, one municipality was found which did give an exemption to welfare recipients. Another suggested that it should be possible for councils to grant tax exemptions without having to get prior ministerial approval for such action.

(j) *Tax Exemptions and Local Improvement Assessments*

Some of the representations dealing with the taxation of vacant lands were summarized in the first section of Chapter 5. The Commission was somewhat surprised, however, to receive virtually no proposals in the area of statutory tax exemptions and the use (or under-utilization) of local improvement assessments. This result, it is believed, is yet another reflection of the basic public attitude in Newfoundland toward land ownership and taxation which was described earlier.

(k) *Industrial and Utility Contributions*

In this sector as well there were few criticisms or proposals. One municipality, however, recommended that industrial firms should always be assessed at the current rate and not have their taxes fixed by statute. And one association claimed that in the case of the Bowater contribution to Corner Brook, the company's annual tax liability should, in fact, be four times its present payment.

(l) *Government Grants-in-Lieu of Taxation*

One municipality contended that only an individual council should decide whether it wants to give a "tax holiday" to any crown company or government agency in its boundaries. Another was thoroughly confused over C.N.T.'s policy regarding taxes and suggested one way to deal with government agencies was to bill them for services received from the municipality. One representative claimed that all government agencies should pay grants-in-lieu of taxes; another favoured either grants-in-lieu or authorization to enable direct taxation. There were two recommendations that government properties should be taxable: the reason offered in one case was that grants were always smaller than the actual taxes would be.

(m) *Miscellaneous Proposals*

One city resident recommended that in future tax policy should place much greater emphasis upon land than upon buildings. A municipality wanted no basic change in the municipal tax structure until a province-wide system of minimal acceptable service standards was established. Many representatives claimed that there was an inadequate tax base for municipal operations in Newfoundland, and that higher levels of provincial fiscal support were needed. Many, of course, claimed that local taxes were already too high in view of inflation and of low average incomes in their communities. One municipal leader stated that citizens have a negative attitude toward councillors largely because they must impose taxes. Tax delinquency, it was alleged, results from the feeling that taxation is a hardship imposed by three or four individuals who vote for taxes at a council meeting. Several municipalities merely supplied the Commission with a list of the various rates and taxes that are currently imposed.

3. Conclusions and Recommendations

(a) *Real Property Taxation*

As indicated in the previous chapter, the Commission's primary recommendation is that Newfoundland's municipal fiscal structure should undergo a complete change. A central element in that proposal is that, first, without exception, every municipality with either a water or water and sewerage system serving a majority of its citizens should be required to adopt the real property tax as the primary source of local revenue. Secondly, every municipality making an initial application for provincial assistance towards either a water or water and sewerage system should be required to impose the real property tax as a "condition precedent" to being awarded such long-term provincial assistance. It will shortly become clear that the implementation of this proposal cannot be achieved overnight; its introduction would necessarily follow the assessment of properties in the units with existing utilities. Thereafter, assessments should be undertaken in all communities.

When the proposed *Municipalities Act* is drafted, however, the present statutory municipal taxation provisions should be thoroughly altered and adjusted to meet emerging local fiscal needs. First, all provisions authorizing local taxation, rates, fees and levies of all kinds and descriptions, other than licences and permits, should be consolidated in one part of the statute under the heading "Municipal Taxation". (Under the present *Local Government Act*, authority to levy water and sewerage *rates* is assigned under Section 69 (2) and (3) of the statute, namely in that part under the heading "Water and Sewerage Systems". Sections 90 and 91 of the *Act* delegate the power to levy water and sewerage *taxes* in respect of premises *not connected with* municipal water or sewerage utilities. This latter power is assigned in that part of the statute headed "Taxation". Finally, in that part of the statute headed "Local Regulations", municipalities under Section 99 (1), (b), are empowered to impose garbage fees.)

Under Section 83 of *The Local Government Act* various classes of properties are deemed to be exempt from local real property taxation. In the following paragraphs the Commission details its recommendations concerning those matters.

First, the real property tax exemption under Section 83 (b) pertaining to "any public body or authority established to provide a public service of any kind in the municipality" should be withdrawn. The exemption provided in that section in respect of the property of other municipalities, however, should be included in the new statute. A similar exemption for properties of the federal and provincial governments must, for obvious reasons, remain in the new legislation, along with whatever exemptions may be provided by any Act of the Legislature.

Second, Section 83 (d) of *The Local Government Act* now provides an exemption for all "lands and buildings used for religious purposes". It is the Commission's view that such an exemption is much too loosely worded. Accordingly, it is recommended that the traditional property tax exemption for religious purposes be confined to only those properties used or held for more than 50 per cent of the time as a place of public worship. In addition, where such exempt properties are used for revenue-producing activities that yield a gross return annually in excess of five per cent of their assessed value, the exemption should be reduced by 25 per cent. The exemption in respect of cemeteries, except those operated for profit, should be retained. The principal residences of priests, ministers and rabbis should also remain exempt. Church halls and unimproved land that are currently exempt by statute would under this proposal become taxable. The Commission notes that many church halls and premises are used widely for wedding receptions, showers, bingo, banquets, conferences — even for the public hearings of commissions — and that substantial rentals, fees and user charges are levied. In view of the urgent public need for land development in most municipalities, on the other hand, the Commissions can see no justification for real property tax exemptions applying to unimproved land owned by religious bodies.

Third, Section 83 (e) of *The Local Government Act* exempts from real property taxation properties "used in connection with and for the purpose of a hospital which receives aid from the province". It is the Commission's view that this exemption, like the previous one, is presently authorized by an unsuitable form of words. The Commission believes that hospitals *per se* and the land upon which they are situate should remain tax exempt. It does not believe, however, that local ratepayers should assume complete responsibility for providing the public services associated with nurses' residences, or other hospital properties (e.g., staff apartments and residences for which no rent is charged). An appropriate change in statutory language is therefore recommended.

Fourth, a similar consideration applies with the exemption now given to lands and buildings "used for educational purposes" (Section 83 (f)). Again, the Commission believes that land and buildings devoted to classroom, gymnasium, student residences, and direct administrative school use should remain exempt. It does not believe that teachers' apartments or residences and other property owned by school boards should remain exempt from real property taxation. An appropriate change in statutory language is therefore recommended.

Fifth, the three final classes of statutory exemptions provided in *The Local Government Act* (Section 83 (h), (i) and (j)), relating to properties of historical societies, non-profit community athletic and recreation associations, and charitable and philanthropic organizations, should be withdrawn completely. The land and buildings of all such bodies should be subject to real property taxation, but each individual municipal council should *at its own discretion* be authorized to grant a tax exemption in whole or in part, subject to the procedures recommended below.

Sixth, under Section 113 of *The Local Government Act*, where land is "directly benefited" as a result of subdivision development, "the cost of making the improvement to the land or *any proportion of the cost which the council may determine* shall be assessed on those lands according to the frontage of the lands on any streets opened or improved or the frontage of the lands adjoining any of the streets" (Emphasis added). This statutory power, in effect, permits councils to assess *no proportion of the cost* of local improvement if they so desire. And it is clear that many, indeed, do so desire. It is the Commission's recommendation that the option should be maintained for all municipalities now or subsequently using the real property tax; but that any municipality not now or subsequently using the real property tax should be required by law to impose local improvement assessments in the manner currently provided by Sections 113-118 of the *Act*.

The Commission is fully aware that recent trends in most provinces toward the reduction of local real property tax exemptions has caused considerable difficulty for those bodies affected by the changes. One local government report, proposing an even more extended reduction of municipal tax exemptions than those recommended herein, remarks that "it is never easy to dislodge a privilege that has enjoyed long acceptance". All provincial governments introducing these reforms have known in advance the consequences of their policy departures. Yet the changes have been made in the interest of strengthening the fiscal bases of their municipal systems. In Quebec, for instance, the Bélanger Commission recommended that the local tax exemptions in respect of churches, synagogues and cemeteries, should be continued but that residences of priests should be taxable after a basic exemption of $15,000 for the priest or chief minister, followed by an additional $5,000 exemption for each assistant priest or minister also in residence. The Smith Committee in Ontario, on the other hand, recommended that in a gradual manner even church properties used for worship exclusively should ultimately contribute, beginning at five per cent of their actual assessed value, up to a maximum of 35 per cent. The latter commission provided a concise summary of its position on this matter in the following words:

> **"While the direct subsidization of religious organizations by the State is not part of our heritage and would be difficult to establish, the granting of indirect aid to churches, through tax exemption of places of worship, is deeply embedded in our history. Yet we find little to justify burdening all property owners with the cost of the relief given to places of worship in recognition of the indirect benefits they confer upon society generally. If we accept as a fact that there is little prospect of public acceptance for direct subsidy, the problem we face is that the continued full exemption of places of worship unfairly saddles local property owners with the full burden of the tax relief given to the churches."**
>
> **(*Report of the Ontario Committee on Taxation*, Vol. II, p. 160.)**

With reference to real property tax exemptions for charitable, philanthropic and like organizations, the Michener Commission, in the case of Manitoba, recommended that they be stricken from the Statute, but be awarded at the sole discretion of each council. The Smith Committee in Ontario, on the other hand, proposed that the exemptions be ended, but that legislative changes should be introduced "to permit each municipality to make annual grants to charitable organizations . . . that, in the opinion of Council, are for the general advantage of the inhabitants of the area". (*Ibid.*, p. 165)

When interpreting the statutory amendments proposed above, it should be remembered that, subject to the Minister's approval, under Section 97 (1) of the *Act*, councils may presently exempt or remit taxable property, in whole or in part, when they consider that such action is desirable. This power should continue to exist; indeed, it is recommended that it should hereafter be exercised without reference to the Minister whatsoever. And it is further recommended that councils be authorized, if they deem it desirable, to make annual grants to charitable and other organizations within their communities. All such exemptions, remissions and grants, however, should by statute require a two-thirds majority of all elected or appointed municipal councillors. This latter proposal differs to some extent from the existing procedure where exemptions and remissions require a unanimous vote "of the members of the council present at a meeting".

Lastly, Section 96 of *The Local Government Act* empowers councils by unanimous vote of the members present to grant real property tax exemptions, whether fully or partially, in the case of "lands held and used as farm lands". This action does not require ministerial approval. The reason justifying such action, according to the *Act*, is that such lands may not benefit from improvements and service additions. There are, however, quite different and even more important considerations involved in this question — considerations which will become of central significance if the real property tax is to be broadly applied in regional terms throughout Newfoundland. In that event, basic policy decisions will be required not only in regard to privately owned agricultural land but also in regard to private timberland and even possibly investor-owned mining properties.

This is an extensive topic about which there are major differences of opinion on what policies are most desirable. There are also considerable variations in the practice followed in different jurisdictions. But the problems are well summarized in the following excerpts from the report of New Brunswick's recent Task Force on Municipal Structure and Financing relating to the taxation status of farm and timberlands:

> "***Status of Farm and Timberlands***
>
> **Resource properties, including farmlands, timberlands and mining properties have commonly been accorded special tax treatment throughout Canada. A favoured position may be granted either at the stage of assessing the properties for tax purposes or of levying the taxes upon normal assessed values. Whichever technique is followed, resource properties are commonly taxed less heavily than normal for local government purposes.**
>
> **Although farming and lumbering are businesses, they are ordinarily exempted from property-based taxation. That has been the**

position in New Brunswick and we believe it should be continued. Resource industries do not yield large returns in relation to the value of the required lands. To expose such lands to business taxes would add a significant burden that we believe is not in the public interest.

Aside from their exemption from business tax, farmlands and timberlands in New Brunswick as elsewhere have enjoyed other tax privileges. These we shall now consider.

Farms

The *Assessment Act* provides that farmland is to be assessed without regard to any value that it might have for another form of use. The provision comes into play only if land that is being farmed develops valuable potential for some other purpose. In practice this occurs chiefly when a farm is situated close to an urban area that is expected to grow and when the farm's location and physical attributes make it suitable for future urban development. A farm that has urban use potential may be expected to increase in value gradually without regard to its agricultural productivity. Urban expansion ordinarily proceeds at a measured pace and likely areas for future urban use can be identified by knowledgeable people years in advance of urban servicing and development. Of course there is always the possibility that certain farmlands with urban potential will be by-passed indefinitely as development proceeds.

Without special assessment or tax protection, the taxation of a farm that is adjacent to a developing urban area can increase to the point where farming ceases to be a profitable enterprise. This point may be reached long before the land can be put to urban use. In the interim, the land can only be held by a person with sufficient financial resources and the required long-term attitude to forego present income in anticipation of future capital gains. Most farmers are not in this position with the result that the ordinary farmer will be forced to sell his property long before it is required for a use other than farming. It is an obviously undesirable course of events.

Commonly, two alternative approaches have been taken to the above problem. Both involve assessing farmland on the basis of farm use only.

The first alternative is to limit the preferred assessment to owners of farmlands whose principal occupation is farming. When this technique is adopted, farms that have been bought up for development are immediately subjected to taxation based on both present and potential use. If the new owner is not a farmer he cannot obtain the tax benefit even if the property continues to be farmed for some years.

The second alternative makes no issue of farm ownership. The point on which the preferred tax treatment hinges is whether or not the property is being actively and productively managed.

In our opinion, the second alternative represents the more desireable approach. As we see it, the prime purpose of the preferred tax treatment is to maintain the supply of productive farmland until the land is required for an alternative use. The objective is to avoid a tax policy that will make continuation of farming unprofitable in areas adjacent to developed urban communities. Furthermore, a person need not make farming his principal occupation in order to run a good farm. Indeed, the quality of farming can be improved through injections of capital that a non-farmer is able to provide. Further, to base the preferred tax treatment on ownership would have the effect of narrowing the market for farm properties. Such a consequence is not in the farmer's own interest.

Generally speaking the onus in New Brunswick lies with the assessor to justify his values. In most instances, it will be obvious to the trained assessor whether or not farmlands are being used productively. Where the matter is in doubt and, as a result, the assessed value is in issue, the owner should be so informed. It then should become the owner's responsibility to seek to demonstrate, if he so wishes, that all or part of the property should be classified and assessed as productive farmland. The legislation should be cast in a form that enables the assessor to receive evidence with respect to the productive acreage of a farm property only and to apply the preferred valuation to specified acreages covered by the owner's application. Other parts of the farm, such as woodlands or wasteland, can be excluded. They will not in any event require a present use protection to hold the assessed value within reason.

The definition of a productive farm should, we suggest, be set forth in regulations because it appears necessary to employ a dollar value in the definition and to change it from time to time. At today's price levels, productive farmland might be defined as land that ordinarily yields a minimum gross revenue of $30 per acre. The definition should, however, give the assessor authority to take account of extraordinary circumstances such as drought or flood that may reduce the gross revenue from the farm below the defined productive level temporarily and also to allow for the particular timing of farm transactions that may curtail cash income in one year and concentrate it in another. Thus, we believe the onus should be upon the owner to provide the evidence that a farm is being operated productively, while the assessor should be accorded the discretionary authority to allow for the special circumstances of each farming operation in deciding whether the productive farmland status has been properly established.

We Recommend Therefore That:

31. **Farmlands be assessed in the ordinary way except for acreages that in the opinion of the assessor would qualify as and benefit from valuation as productive farmlands which shall thereupon be assessed at their real and true value as farmland and, where the matter is in doubt, the onus be upon the owner to demonstrate what if any acreages are being farmed productively.**
32. **Productive farmland be defined in regulations as land that ordinarily yields a minimum gross revenue, subject to periodic review and revision, of $30 per acre.**

> *Woodlands:*
>
> The taxation policy applicable to woodlands provides for assessment and taxation at a lower level than the market value of much woodland property. The purpose is to eliminate commercial motivation that would force the land to be cleared of its forest cover when this course of action is not socially desirable.
>
> The first question raised by the Task Force is whether a preferred tax position should apply to woodlands regardless of the potential value of the land for other uses. For most woodlands, the question of an alternative use does not arise. Examples can, however, be given of alternative uses at higher values — the wooded shore property with resort potential, the woodland with a trout stream providing recreation opportunities or the woodland that lies in the path of anticipated urban development. We came to the conclusion that a present use protection for the taxation of woodlands was not in the public interest. It seemed to us that no great damage would be done by permitting taxes to rise on woodlands that had urban use potential. The heavier taxation might encourage the property to change hands and trees to be cropped before the time for urban development had arrived. But considering the extent of forested land throughout New Brunswick, the premature loss of some few acres of forested land close to urban centres is scarcely a cause for panic. On the favourable side, the rejection of any present use protection of taxation at woodland rates would enhance the supply of desireable land for urban expansion.
>
> We have endeavoured to find a better method of valuing woodlands than the present arrangement which holds down the taxation of woodlands to an average level of twenty-five cents per acre on large holdings and a maximum of twenty-five cents per acre on small holdings. It is our opinion that the formula is satisfactory although the amount per acre requires periodic review.
>
> *We Therefore Recommend That:*
>
> 33. The present method of taxing woodlands be continued, subject to elimination of any present use protection of the assessed value and the early review of the present weight of taxation per acre."
>
> (*Report of the Task Force*, pp. 40-43)

The problems associated with land use and land policy in Newfoundland were discussed at length in Chapter 5. It is the Commission's view that, within the broad context of a province-wide land use programme, there should also be a new approach to the taxation by municipalities of farm land and timberland property. Since it is our belief that whatever concessions are granted should be determined by assessment procedure, we defer further comment on the matter until the next section of the Chapter. But it could be held that if these exemptions are in fact to be determined by province-wide assessment practice, then the present discretionary power vested in councils to grant tax exemptions should be curtailed. Such a requirement, however, would be inconsistent with our view that councils should in future assume their own responsibility with respect to tax exemptions in general, subject to the procedures set out above. But it is presumed that any action by councils in this matter would be taken in the light of the changed assessment environment concerning the farm and timber holdings of taxpayers.

It is recommended, in conclusion, that consideration should be given to introducing the above proposals on real property tax exemptions into all municipal legislation, including the new *City of St. John's Act*, the revised *City of Corner Brook Act* and any additional city charters that may be enacted in the future.

These preliminary proposals deal mainly with the administration of the real property tax. As indicated earlier, it is the Commission's view that this tax should ultimately become the principal revenue instrument for all developed municipalities in Newfoundland. It is also proposed that when municipal regional authorities are established, all the real property within their borders would in time be assessed, even though some municipalities might not themselves choose to use the real property tax. Ultimately, however, as indicated in Chapter 13, a small levy would be imposed upon most residents within each region for a relatively narrow range of common regional services.

It is apparent that if these recommended primary policy objectives are to be pursued successfully, an entirely new system of real property assessment will be required in Newfoundland. The Commission now directs attention to this critical matter.

(b) *Real Property Assessment*

Mid-way through its public hearings early in 1973, the Commission concluded that there was a somewhat desperate and steadily deteriorating situation which prevailed in this central sector of municipal tax administration. For that reason, it has commissioned a separate report executed by Mr. Kell Antoft, a specialist in this technical area, and the Assistant Director of Dalhousie University's Institute of Public Affairs in Halifax, Nova Scotia. His study, "Real Property Assessment in Newfoundland", was received by the Commission in late January, 1974, and is submitted in its complete form as a supplementary volume to this report. It provides in detail for a restructuring of the Assessment Division to enable it to perform its present functions more effectively. The Consultant's study also examines the full assessment implications arising from the Commission's basic recommendation that the real property tax should eventually become province-wide in its scope and application.

In the following three sections of this Chapter, the results of the assessment study are presented. Attention is first given to present assessment administration in Newfoundland. Next, certain proposals for the urgently needed reform of assessment practice are suggested. Finally, the assessment implications of a wider application of real property taxation in Newfoundland are examined.

(i) *Present Assessment Administration*

Assessment in Newfoundland is carried out under the authority of *The Assessment Act, 1958*, as amended with respect to municipalities established under *The Local Government Act*, 1972. For the City of St. John's, property taxes are levied on the basis of assessments conducted under *The City of St. John's Act*. *The City of Corner Brook Act* provides for property taxes based on an assessment roll prepared annually by the City's assessor operating under *The Assessment Act*. In addition, school tax authorities may also levy real property taxes on the basis of assessment conducted under *The Assessment Act*.

As of July 13, 1973, out of the two cities, 93 towns, eight rural districts, 52 local improvement districts and 118 incorporated communities, only 26 municipal units levied a property tax. Of these only the Cities of Corner Brook and St. John's maintain their own assessment staff on a year-round basis.

The Assessment Act provides that the Lieutenant-Governor in Council may appoint "a director of assessments and such assistants as may be deemed necessary." The director is charged with the supervision, direction, guidance and coordination of the work of all assessors with a view to establishing and maintaining a uniform standard of assessment throughout all municipalities in the province. The first assessment of property in each municipality is to be made by the director, and subsequent assessments are to be made by assessors appointed by municipal councils with the approval of the director.

Towns, Rural Districts and Local Improvement Districts

Outside the cities of St. John's and Corner Brook, the "assistants" to the director include the only qualified assessors operating under the *Act*. The "assessors" envisaged in Section 7 have not been appointed in any town, rural district, or local improvement district. It has become common practice, however, for the municipalities to employ summer students at the time of each five year reassessment, and to swear in such students as "assessors" within the meaning of Section 7 of the *Act*. Responsibility for the work of reassessment in each municipality is undertaken by one or more of the director's assistants, and the function of the students is to tabulate information on individual properties, which then forms the basis for valuation made by the provincial assessors.

Thus, the *Act* envisages a system in which assessment is first established within a municipality under the guidance of the provincial service, with subsequent additions to the assessment roll and future reassessments carried out by municipally employed assessors working under provincially established standards. In effect, however, the province's Assessment Division has become a service agency, which has assumed total operational responsibility for all assessment functions, including the updating of assessment rolls and five year reassessments.

The reliance on the provincial service for functions not envisaged in the legislation has resulted in a number of problems. These were clearly identified in the five non-city municipalities visited by the Consultant, where the common complaints may be summarized as follows:

(1) In the interval between five year reassessments, municipalities experience delays in having new properties added to their assessment roll. Because of the reliance on assessors from the St. John's office of the Assessment Division, and a very large backlog of work, delays of up to a year in assessment of new properties are reported, with a consequent loss of revenue. To overcome this problem, several municipalities have arranged to have their own staff gather technical information on new buildings and then

forward it to the Assessment Division for valuation. In another case, the Town Manager stated that he himself fixed values on new properties for assessment purposes, and that this has eliminated problems with interim assessment. The possible conflicts which such a practice might create require no comment.

(2) The high cost of the five year reassessment was mentioned in two municipalities. Included in these costs are the travelling and accommodation cost of the Assessment Division staff, which are payable by the municipality. Since the reassessment may take up to five or six months to complete, *per diem* living expenses for provincial staff are payable during that time.

(3) Due to the small staff in the Assessment Division, problems are encountered in having five year reassessments completed in time. Field work by the Division assessors is normally carried out by staff during the summer, with the detailed calculations being made during the winter months.

The assessment staff consists of the Director, four Assessors II, who have completed a prescribed 3-year course of study, three Assessors I who have partially completed the study program, and two part-time summer staff without formal training. Thus, this staff of ten persons has responsibility for assessment services to 24 municipal units with a total population of approximately 100,000 persons and an estimated 25,000 property accounts. While the number of properties per assessor is comparable with the average for Nova Scotia and Prince Edward Island, it should be noted that unlike these two provinces, the Newfoundland Division is totally lacking in clerical and secretarial support staff. Consequently, a considerable portion of the work load on the assessor is taken up with tasks which elsewhere would be assigned to lower cost support staff. Combined with the extended territory covered by the Assessment Division's service, the demands are too overwhelming to be met adequately by the present staff.

On the basis of providing more adequately for the existing needs of the 24 municipalities dependent upon the property tax, the following staffing standards are proposed:

First, the complement of the Assessment Division should be as follows:

1 Director
1 Assistant Director
4 Assessors II
4 Assessors I
3 Trainee Assessors
2 Clerk-Typists
1 Secretary

Second, consideration should be given to the establishment of a District Assessment Office in Gander or Grand Falls, which would greatly reduce the amount of travel time required to service the municipal units in the central section of the province, and would provide closer communication between local government and assessment personnel.

Third, consideration should be given to the transfer of the personnel of the City of Corner Brook assessment department to the jurisdiction of the provincial Assessment Division, and its reorganization as a District Assessment Office serving the western section of the province, including Labrador.

If this recommendation is adopted, the present staff in Corner Brook consisting of the Chief Appraiser, two Assessors and one Trainee Assessor, should be added to the provincial complement recommended above.

City of St. John's

The examination of assessment administration in the City of St. John's has consisted of a study of the *Report of the Royal Commission on Taxation and Revenue of the City of St. John's (The Fraser Report), The City of St. John's Act*, and the *St. John's Urban Regional Study Interim Report: Volume 2*, and interviews with City officials, particularly members of the appraisal staff.

The problems of the rental value basis for assessment have been thoroughly examined in previous studies. The Fraser Commission has recommended that existing tax sources be replaced by a single municipal tax on incomes and user charges for services such as water and sewerage. Were this recommendation to be accepted, the question of property assessment in the city would become academic. If, however, the City is to continue to rely to a significant extent on the property tax, reform of the assessment base should be directed towards establishing capital value as the base for property-related taxation.

The task of making a change from rental to capital value presents a challenge for the City's assessment staff, as it would require the collection and analysis of new data on each property. The City appraisers have already examined in some detail the work to be undertaken in such a change, and have suggested that it be undertaken over a two or three year period. Further, to avoid the drastic changes which might result for individual taxpayers in their total tax bill, the City has suggested that such changes be made in annual adjustments over a five year period.

The members of the City appraisal staff have been trained or are undergoing training in methods applicable to capital value assessment. They are using the correspondence course developed for assessors in Nova Scotia. Thus the staff already possess the technical background for the task.

The complexity and magnitude of the work required in making the change would be reduced by setting a minimum property tax to be paid for any single property, which would postpone the need to make capital value appraisals of many properties in the older sections of the city.

On the assumption that property tax will continue as the principal tax revenue source of the City of St. John's, it is proposed:

(1) For the reasons set forth in submissions from the City of St. John's that the change be made from rental value to capital value as the basis for assessment.[1]

(2) That the proposed change-over be undertaken over a two, or at most a three-year period, with the process to be completed in steps as follows.

(a) During the first six months, the system for recording of assessment data on individual properties should be designed and the

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[1] *Submission by the St. John's Municipal Council to the Commission on Revenue and Expenditures, December 1968, pp. 11-12. The views expressed therein have been reaffirmed in the City of St. John's — Submission to the Royal Commission on Municipal Government, 1973, p. 15.*

appropriate forms produced. This work should be carried out in consultation with senior assessors in the assessment services in the other Atlantic Provinces.

(b) *A staff training program should be initiated to familiarize each member of the appraisal department with his individual task in the change-over. The training program should aim at the development of some degree of specialization in areas such as commercial and industrial properties, rental housing, and vacant land. Assistance in this training program has been offered by the Nova Scotia assessment service, and might include the assignment of one or more St. John's assessors to one of the regional assessment offices in Nova Scotia for a period of up to six months.*

(c) By the second year, the present staff resources of the City's appraisal department should be adequate to prepare an assessment roll based on capital value. Until the task is completed, the rental value assessment roll should continue to serve as the basis for the property tax.

(3) That when assessment on capital value results in a change of tax payable of more than 20 per cent for any property, the change in excess of 20 per cent be deferred to the next or subsequent years, so that in no year shall the change in tax payable exceed 20 per cent of the previous year's tax.

(4) That assistance in the design and introduction of new methods and records be sought from the assessment services in the other Atlantic Provinces. The Nova Scotia Director, Mr. Hugh MacGlashen, has suggested that one or more regional assessment directors in Nova Scotia could be approached to provide the necessary advice and support during the change-over.

(5) That a comprehensive information program be undertaken to acquaint the citizens of the City with the proposed change-over from rental value to the capital value system.

(6) That upon completion of the change-over in the City proper, consideration be given to the establishment of the City's appraisal department as a Metropolitan Assessment Office operating as a division of the Provincial Assessment Division, with responsibility for assessment within all municipal units in the metropolitan area, including assessment for the purposes of school taxes.

Assessment for Purposes of Local School Tax

The Local School Tax Act, as was indicated earlier, provides for the establishment of School Tax Areas, and for the constitution of school tax authorities with power to impose, levy, collect and disburse the School Tax. Such a tax may be imposed in the form of either a *real property tax*, or as a *poll tax*.

The *Act* provides that for the purposes of imposing a real property tax, the value of real property shall be assessed in accordance with the *Assessment Act*, as amended, or by a general or special *Act* subsequently enacted for such assessment.

The *Act* also provides that where an assessment roll has already been established for municipal taxation purposes, the School Tax Authority may use such assessment roll as the basis for the levying of tax within such municipality.

In practice, the operation of this *Act* has led to serious difficulties, since the jurisdiction of the school tax authorities in all cases encompasses more than a single municipality, and generally includes non-incorporated areas. The *Act* envisages that the authorities can call upon the provincial Assessment Division in the areas not covered by a municipal assessment, or authorizes it to hire its own appraisers to make such assessment. The *Act* is unclear on whether such appointment is subject to the approval of the Director of Assessment, and likewise fails to define the extent to which the Director is responsible for the initial assessment.

A further difficulty arises in the matter of uniformity of assessments within the school tax area. Where more than one municipal unit lies within the area, assessments may be carried out in different years. For example, District 1 encompasses the municipalities of Gander, Placentia and Windsor which all carried out reassessments in 1972, as well as Clarenville, where the process took place in 1973. Thus, major changes in the market price of real estate which are reflected in assessments introduce disparity in the fairness of the tax burden. The fact that the Gander 1972 assessment is already well below 1973 market prices emphasizes the reality of this problem.

The school tax authorities have complained that in the unincorporated areas, it is very difficult for them to secure the services of the provincial Assessment Division to carry out the required assessments. For his part, the Director of Assessment has pointed out that nothing in *The Assessment Act* authorizes him to conduct assessments outside municipalities for the purpose of the School Tax. It has been done as "a matter of courtesy" when his staff resources have allowed him to do so. Indeed, the Director has stated that the Deputy Minister of Municipal Affairs and Housing, to whom he reports, has emphasized that the school tax authority assessments are a matter of low priority. In this regard, it is significant that no such special assessments have been undertaken on behalf of any school tax authority since 1970.

If the school tax authorities are to base their revenue source on property assessment, it would be unacceptably wasteful to permit the growth of a separate assessment service paralleling that of the Assessment Division operating under the Department of Municipal Affairs. On the other hand, it is clear that the Assessment Division lacks authority, budget resources and above all personnel to perform adequately the assessment function for the school tax authorities. The Commission therefore recommends as follows:

First, that the Assessment Act be amended to include school tax authorities as recipients of service from the Assessment Division. Second, that the staff complement of the Division be expanded to accommodate the work load required to undertake assessments on behalf of the school tax authorities, on the following basis:

For each additional 12,000 properties
add 2 Assessors II
+ 3 Assessors I
Total additional staff 5

(ii) *The Reform of Assessment Practices in Newfoundland*

The definition of value for assessment purposes

The property tax must be based upon an equitable system of valuation which will spread the tax burden as fairly as possible. At the same time, the system must be constructed in such a way that the normal development of a community is not distorted by tax pressures which lead to destructive or inefficient land use practices.

A basic principle generally followed in good assessment practice is to value land separately from buildings. By constructing a land value map based on market analysis, the assessor can assign a fair value to each parcel of land. Since building costs are related primarily to the materials and labour used and are only slightly affected by the land location, it is clear that the market value of land is the major variable in assessing two identical buildings in different locations.

The Newfoundland Assessment Act requires that the assessor shall assess property "at its actual value". The council of a municipality may, by resolution and with the approval of the Director of Assessments, retain for up to five years the level of value established in a particular year. Thus, the "actual value" may fall well behind market value between the five year reassessments. The five year cycle, during a period of rapid changes in property values, will also tend to produce very marked changes in assessment levels for individual properties.

An illustration of the problems of such dramatic changes in assessment may be seen in the case of the City of Corner Brook. The reassessment carried out in 1972 was during a period in which the general levels of market values for real property had advanced markedly. Such advance had not been even for all properties, however, with older commercial property rising only slightly or not at all, but with better grade housing being in heavy demand but in short supply. The result was that market values rose rapidly for residential property, but remained relatively stationary for older commercial properties. The City assessment department, which has a well organized system for the assembly and analysis of market data, carried out its 1972 reassessment with a strict adherence to the requirement of the *Assessment Act* that property shall be assessed at "actual value". Assessors are taught that the terms "actual", "market", "fair" or "real" value generally have been interpreted by the Supreme Court to mean the same thing across Canada, namely, market value as decided between willing buyers and sellers. By application of this principle in a consistent manner throughout the City of Corner Brook, the assessment roll in 1972 provided percentage increases in assessments which ranged from 6.5 per cent in ward five, a predominantly commercial district, to 50.4 per cent in ward six, which is primarily residential. The average for the entire City was 23.7 per cent, with a very wide spread in each of the nine wards.

The drastic redistribution of tax burdens associated with uneven increases in market values resulted in a considerable public outcry in Corner Brook, with vigorous protests being registered with the City Council and with the Department of Municipal Affairs and Housing. The brief submitted by the "Citizens Committee on Taxation and Re-Assessment, City of Corner

Brook" to this Commission voices the complaint in vigorous terms.

The difficulty experienced by regional school tax authorities is also well illustrated in the Corner Brook case. The district school tax authority covers not only the City of Corner Brook, but a considerable outlying area. When the City's assessment base rose by 23.7 per cent, Council lowered the city mill rate and requested the school tax authority to make a similar adjustment in the school rate. The authority was then caught in the awkward changes in the relationship of its city rate to the rate levied outside the city on a different assessment base.

With a strict adherence to the definition of value in the *Assessment Act*, similar problems could be expected to arise in other municipal units. It is a matter of some interest that the issue has not surfaced in the same degree elsewhere. An examination of some of the 1973 reassessments carried out in Port-aux-Basques provides an indication of how these problems may be sidestepped by the provincial assessors. The evidence indicates that an averaging rule is applied, with increases being held within the limits of 12 per cent to 18 per cent. In defence of this procedure the assessment staff claim that market data is so erratic that this information was not used, nor was the income approach to valuation utilized for commercial and rental properties in Port-aux-Basques.

While it clearly is less likely to result in complaints from citizens, the practice of applying a percentage increment to property assessments is of course very poor assessment practice and is furthermore in conflict with the statutory requirements. On the other hand, the Corner Brook example demonstrates that a conscientious assessment staff is subject to public criticism when changing market relationships require major changes in the assessment base over the five year period. The latter example indicates the desirability of shortening the interval between reassessments.

The Assessment Base

The *Assessment Act* requires that if a tax is imposed by council on real property, *all* the property in the municipality whether or not it is subject to taxation, shall be assessed in accordance with the *Act*. *The Local Government Act 1972*, however, provides in Section 81 (5) that the real property tax may be imposed in respect of *one or more or all* of the classes of property defined in subsection (6) as follows:

> "(a) land;
>
> (b) all buildings and any part of any building in, over, or affixed to land and all machinery and fixtures erected or placed in or on any building or part thereof, and for the purposes of this paragraph, building includes a trailer which is located in a municipality and occupied for a period of not less than three months, in the aggregate, during a financial year; and
>
> (c) all structures and fixtures erected or placed upon, in, over, under or which are affixed to any highway, or other public communication, land or water."

Thus, the municipal council may choose to impose the tax on all classes of real property, or it may impose the tax on land only or on buildings only, or on "structures and fixtures affixed to any highway or other public communications." Regardless of any such restricted use of the property tax, however, a tax on any single class imposes a requirement of assessment of all classes of real property within the municipality.

The discretionary power to levy tax on one class of property but not on another has resulted in a number of municipalities taxing buildings but not land. It would seem that such practice encourages the withholding of land from development within a municipal unit, since no taxation penalty is attached to such speculative holding. Indeed, in conversations with municipal officials in two of the units concerned, it is clear that land which has been supplied with public services has been withheld from development in the expectation of continued increases in land value.[1] The cost to the public purse of having to service land on which there is no tax return would seem to be inequitable and, as we have suggested earlier, tends to be conducive to patchwork development.

Two municipal units, St. Lawrence and Bishop's Falls, levy a property tax solely on business establishments. While such a policy may appear attractive to residential property owners, it should be noted that business taxes are generally levied on retail outlets which for the most part serve purely local markets. In effect, these taxes have the same impact as excise taxes, i.e., the tax burden falls on the consumers who patronize the business. The local reasons for the imposition of this business property tax have not been explored, but it seems cumbersome to set up assessment machinery for such a limited purpose, particularly since *The Local Government Act* permits an alternative business levy on a relatively easily administered sales volume basis.

The Commission concludes, therefore, that present practices in Newfoundland do not lead to uniform standards of valuation or equitable property tax policies, nor do they encourage good community planning. To correct the most obvious existing defects, the following changes are proposed:

(1.) The Local Government Act, Section 81 (5) should be amended to provide that all classes of real property as defined in subsection (6) shall be liable to taxation for all purposes for which municipal or school property taxes are levied by a taxing authority.

The effect of this recommendation will be to make mandatory the assessment of land as well as improvements.

(2.) Administrative provision should be made for the production of property maps for all municipalities in which property taxes are levied. As a matter of longer range administrative policy, surveyor draftsmen should be attached to the Assessment Division or its regional offices for the preparation of such maps. The maps should be drawn to reflect actual property boundaries and the names of owners of each property.

(3.) The period for major reassessment should be reduced from five to three years, as rapidly as staff resources of the Assessment Division will permit.

(4.) As is becoming accepted practice in many jurisdictions elsewhere, the registration of all real property transfer instruments should be manda-

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[1] *The five municipalities which did not in 1973 levy a tax on land include: Placentia, Freshwater, Harbour Grace, Carbonear and Happy Valley.*

tory, with full disclosure of all transaction details, including price, payment terms, mortgage details, liens and other encumbrances. Copies of such instruments should be available to the Assessment Division within three months from the date of the execution of the transfer document.

(5.) Administrative steps should be taken to ensure that individual assessments fully reflect (a) market data on real property transactions (b) replacement value analysis, and (c), in the case of rental and commercial property, the capability of the real property to produce income.

(6.) Consideration should be given to the desirability of permitting differential assessment of land used for bona fide farm purposes, with the valuation to be based on the value of the land in terms of its ability to produce income from agriculture. The adoption of such differential tax for farm land should be accompanied by a provision that in the event of the sale of such lands for non-agricultural purposes, the full retroactive tax based on market value shall be payable for the five years preceding such sale with interest computed at a rate to be set by the Lieutenant-Governor in Council.

Assessment Appeal Procedures

The Assessment Act makes provision for the establishment of courts of revision in each municipality through the annual appointment, on or before the last day of August, of a commissioner whose function it is to hear appeals from assessments appearing in the municipal assessment roll. The *Act* sets forth in general terms the procedures to be followed and the time allowed for the filing of appeals and for them to be heard.

Appeals from decisions of the court of revisions may be made to the Supreme Court of Newfoundland.

The Commission's consultant examined in each of the municipalities visited the available records of appeals heard in 1972, and made detailed inquiries as to the appointment of commissioners, the procedures followed, and the manner of recording decisions. He also scrutinized, where available, the minutes of the proceedings, primarily to gather information on the number and kinds of appeals made to the courts of revision. His conclusion is that, in general terms, the operation of these courts varies considerably from one unit to another. In some cases, the procedure appears to be highly informal and casual, with decisions rendered without any discernible pattern of objectivity or consistency. In some cases, the record of the proceedings is fragmentary or almost meaningless. It is clear that no case law for the guidance of assessors has or can evolve from a system so totally lacking in the accepted principles of judicial regularity. No instances of abuse were apparent, but it would be easy to visualize how the appeal procedure could be misused without easy discovery.

The continued operation of the present appeal machinery is possible only when the use of property assessment serves a limited social function, and even so, the system is highly vulnerable to abuse. If the burden of the property tax is to increase in any measure, a more adequate judicial procedure to handle appeals must be introduced. The aim should be to establish a system in which decisions are made upon the determination of fact and in which casual decisions based on whim are minimized. To build such a system requires the appointment of commissioners with the same degree of immunity from political pressure as is inherent in other courts of law in Canada.

It is proposed that the following changes be instituted in the assessment appeal procedure:

(1) A single board of revision to hear appeals throughout the Province should be established. The appointment of a panel of commissioners of this board should be made for fixed periods of five years with the right of renewal, and should be made by the Lieutenant-Governor in Council.

(2) The position of Chief Commissioner should be established. The person appointed must be knowledgeable in the principles and practices of assessment, and would have a responsibility to advise and guide other commissioners on the board of revision in the technical aspects of assessment.

(3) Under The Assessment Act, appeals from decisions of the present courts of revision may be had to the Supreme Court of Newfoundland. To simplify the exercise of the right of appeal to a higher tribunal, it is recommended that appeals from the proposed board of revision be, in the first instance, to the District Court. From a decision of this court, appeals on both fact and on law could be had to the Supreme Court of Newfoundland, and under existing rules ultimately to the Supreme Court of Canada.

(4) No costs should be charged on any appeal before the board of revision.

(5) Appeals for tax relief on compassionate grounds should be abolished. In cases of hardship, direct subsidy rather than tax concession should apply, and in such instances, Social Service officials would be much more competent to assess need.

(6) The rules of procedure of the board of revision should remain informal and comprehensible to the broad mass of taxpayers. On the other hand, all decisions should be properly recorded both for the purposes of eventual appeals to the District Court and also as a general guide for future proceedings of the tribunal.

(iii) *Wider Application of Real Property Taxation: Implications for the Assessment Process*

The foregoing discussion has dealt with a number of specific problems of assessment standards, practices, and administration which require solutions regardless of the dimensions of the tasks to be handled by the Division. An increase in the number of municipal units which impose real property tax would in most cases not affect the basic recommendations, except to lend further urgency to need for early action.

At the present time, about 225,000 persons live in areas in which property tax in some form is levied, or approximately 45 per cent of the total population of the Province. It has not been possible to obtain statistical information on the total number of individual properties on which property tax in some form is levied, nor on the total of all properties in the Province. In the absence of completely accurate data, however, it is estimated that the following are the approximate numbers:

City of St. John's	16,500	properties
City of Corner Brook	7,600	"
Other municipalities levying property tax	25,000	"
Properties not presently subject to property tax	60,000	"
Total	109,100	"

To assess all properties in the Province in a five-year reassessment cycle would require a total complement of approximately 50 qualified assessors, junior assessors and trainees with support staff of a further 15 to 20 persons. The latter would include clerical and secretarial personnel, mapping draftsmen, as well as supervisory staff.

The average annual costs of carrying out assessments in various jurisdictions have been obtained and are set forth in the following table:

Average Annual Cost per Property Account, 1973

Nova Scotia	$4.40[1]
Prince Edward Island	6.40[2]
City of St. John's	4.90
City of Corner Brook	5.25

During the summer of 1973, the total employment numbers in the assessment services in Newfoundland-Labrador were as follows:

Assessment Division	8 permanent
Assessment Division summer help	2 temporary
City of St. John's	7 permanent
City of Corner Brook	4 permanent
City of Corner Brook School Tax Authority	1 part-time
	22

In addition, it should be noted that summer students are employed by all of the assessment organizations to assist in field surveys, tabulating of data, etc. This procedure undoubtedly extends significantly the effectiveness of the existing staff. On the other hand, as already noted, there is a total absence in the provincial service of clerical support staff, and no part of the assessment service employs personnel for the mapping function. Although some of the personnel included above are in various stages of training programmes, there are no provisions for trainee entrants into either the provincial or the municipal services. Thus, the already meagre staff resources are extremely vulnerable since no clear system for replacement of normal staff turn-over exists.

To adapt the existing organizations to the greatly expanded demands which would arise from an extension of property tax would require a phased increase in staff. The key to such an expansion is a comprehensive and vigorous programme of recruitment and training. Problems of morale must be overcome so that a career in assessment will appeal to intelligent and ambitious young men and women.

To provide for an Assessment Division capable of undertaking and maintaining assessments for all properties in Newfoundland requires an expansion of the existing complement of assessors. Obviously, such an expansion cannot be accomplished overnight. The following recommendations

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[1] Data supplied by Mr. H. S. MacGlashen, Director of Assessment for Province of Nova Scotia.

[2] Data supplied by Mr. C. M. Davies, Director of Assessment for Province of Prince Edward Island. Assessments are updated yearly. The costs include a number of non-assessment expenses, such as the expenses of pilot project, land acquisition and property mapping.

envisage an integration of existing staff resources, a decentralization of the operational tasks into regional offices, and a buildup of trained staff over a five-year period. These recommendations should be seen as a further extension of recommendations in the preceding sections of this chapter.

The following proposals seek to accomplish an orderly expansion of the assessment service, and the introduction of increased reliance on the property tax should take note of the maximum rate at which such growth is likely to be accomplished.

(1) Steps should be taken immediately towards the integration of the assessment services of the two cities with the provincial Assessment Division, in order to achieve the maximum utilization of present staff resources, with the entire costs to be assumed by the Province.

(2) The existing assessment service of the City of Corner Brook should be established as a district assessment office of the provincial service to serve the western section of the Province, under the supervision of a regional director. The costs of the operation of this office should be assumed by the Province.

(3) Similarly, the Appraisal Department of the City of St. John's should become the metropolitan assessment office for the greater St. John's area.

(4) Additional district offices should be established with one in the central part of the Province, with headquarters either in Grand Falls or Gander, and a second to serve the non-metropolitan section of the Avalon Peninsula.

(5) The regional borders of each district office should encompass local school tax authorities so that no authority has territory within its jurisdiction located in more than one assessment district. With the introduction of municipal regions, the regional authorities should assume the school tax collection function.

(6) The director of the Assessment Division should be authorized to appoint an assistant whose primary tasks would involve recruitment, training and staffing policies and programmes. As the required levels of staff are achieved, the duties of this office could gradually be broadened to include general administrative tasks.

(7) Recruitment policies should aim at an intake of ten or twelve new assessors per year until the required staff complement is attained. Minimum education requirements should be Grade XI completion, and a commitment to enrolment in a three year correspondence course programme.

(8) Arrangements should be made for the early development of a Newfoundland adaptation of a three year correspondence course such as presently offered by Dalhousie University. Course fees should be accepted as an expense by the Assessment Division, subject to the trainee successfully completing the requirements each year.

(9) Correspondence course materials should be supplemented by frequent seminars for trainees, possibly organized in co-operation with the Extension Department of Memorial University.

(10) Senior assessors who have already completed the three year correspondence course should be offered the opportunity to undertake the

Advanced Dalhousie one year course in management theory and land economics, with course fees paid upon successful completion by the Assessment Division.

(11) Each district office should have a regional liaison committee representative of municipalities and local school tax authorities within its jurisdiction. The functions of the committee should be to co-ordinate the assessment tasks required to be performed within its jurisdiction, establish work priorities, serve as a link to exchange information between the assessment service and elected officials, and to apportion the costs of the Committee's functions amongst member municipalities. The expenses of the liaison committee should be shared by the participating units but all other costs of assessment should be borne by the Province.

(12) To establish and preserve the autonomy and objectivity of the Assessment Division as a provincial service agency, consideration should be given to having it operate under the jurisdiction of the provincial Department of Finance, thus making it visibly separate from departmental programmes of educational or municipal grants.

(13) The task of creating a modern and effective assessment service to cope with the tasks on the scale assumed in this section, will require a high level of organizational skill. It is recommended that the assessment process be limited to the valuation of real property.

(c) *Business Taxes*

There is at present an excessive number of business taxes used by Newfoundland's municipalities. There are, moreover, technical shortcomings associated with all of them. Outside of Newfoundland, the stock (inventory) tax is used only in a few Quebec municipalities. It is a generally unsuitable tax mainly because it inevitably influences year-end decisions by firms respecting their volumes of stock-in-trade. *Since only a small number of units actually use this form of business taxation, the Commission recommends that the stock tax be abolished.*

In those municipalities using the real property tax, the assessed value of the property used for business purposes is the base upon which the business tax is levied. This practice is followed in Ontario, Prince Edward Island, and New Brunswick. But in Newfoundland the councils are free to impose whatever rates they desire, and they may vary the rates on different classifications of business activity. There is, moreover, no dollar minimum or maximum amount of the tax specified in *The Local Government Act* or in *The City of Corner Brook Act*. (The assessment base in the latter instances is the capital value of property used for business purposes. While in the case of *The City of St. John's Act*, as we have seen, it is rental value.)

The Commission recommends that the assessed real property used in business operations should continue to be the base for business tax purposes. It does not believe that councils should have the power to graduate the rates applicable to different types or categories of business activity. There should be but a single or flat rate applied to all business properties, for attempts at differentiation among types of business lead in practice to ineffective efforts on the part of councils to categorize businesses in terms of their net annual earnings. The term "Business properties", in this context, should *extend to the land and buildings used by an individual, partnership, corporation, credit union or cooperative for any vocation, trade, business or profession. It should not extend to farmland, farm storage property, timberland, apartment buildings, bunk houses, electric distribution utility companies and mining or other major resource-processing properties.*

The assessed valuation for business tax purposes should, with one exception, be established at 100 per cent of the real property tax base. Business taxation, in effect, would generally be a surcharge on real property tax. The exception to this rule should apply when the occupier is able to establish that the assessed valuation for business tax purposes exceeds the "net rental value" of the property by 17 times. In such cases, the assessed value shall be 17 times the net rental value. "Net rental value" is defined for this purpose as the rent which would ordinarily be payable under terms of a lease for a period of years in which the lessee agreed to bear the costs of all insurance, repairs, taxes and other charges required to maintain the rental value of the premises. The reason for this exception is to meet the standard difficulty encountered when using real property valuation as the business tax base, namely, in dealing with those cases where property is much less valuable in use than it is in exchange. This recommended modification for business assessment purposes has been used in New Brunswick since 1967; its use in Newfoundland should be restricted only to those instances where the occupier can demonstrate that his net rental value — and this would not invariably mean the actual rent paid for the premises — is less than six per cent of the capital or market value of the property occupied for business purposes. (The tax in this proposed form could not be introduced in St. John's until the change from rental to capital real property valuation was achieved.)

In those instances in which a property is used jointly for business and non-business uses, the assessed valuation should be apportioned between or among (when several business premises are involved) the separate parts. The assessed value for business tax purposes would thus form that part (or parts) of the whole property in business use. When determining whether a reduced level of business assessment is required, however, the net rental value for the *whole* property should be multiplied by seventeen and compared with the assessed value of the *whole* property.

It is the Commission's belief that ultimately, when all real property is assessed throughout the Province, the business tax recommended above should be used in all municipalities. Until that objective is achieved, however, the non-assessed municipalities should be authorized to continue levying a business tax based upon a small percentage of annual gross revenue, as is provided for at present under Section 78 (a) (1) of *The Local Government Act* and Section 33 (2) of *The Community Councils Act*. But these two sections currently also impose a maximum business tax payable of $5,000 and $500 respectively. The Commission recommends that, in this case, the maximum limits should not be expressed in dollar amounts but should rather be established in terms of some specified rate based upon annual gross business turnover. In this form of business taxation councils are likewise empowered to vary the rates applicable to different categories of business. For reasons noted earlier, the Commission does not favour a con-

tinuation of this graduated rate practice. The rate of business taxation to be applied in this case should be varied at the council's discretion, subject to the maximum level (rate) prescribed by statute, but whatever rate is chosen should be levied generally on all eligible business units. This latter form of business tax should not apply to electric utility distribution companies nor to mining companies. Unlike the real property-based business tax, however, it should apply to businesses using agricultural land and timber limits. *This latter variation of the business tax should also be assigned to municipalities using the property-based business tax, to be used by them exclusively in imposing a levy on business regularly conducted in the community without any established, taxable business premises. This latter form of taxation, however, should not be imposed on commercial agents engaged in transient business activity within the municipality. Neither should it be imposed on non-resident firms that are executing a contract within the municipality, except when such contract or contracts exceed in the aggregate a period extending beyond two years.*

Finally, with respect to business taxation in general, the Commission recommends that as in Ontario, Saskatchewan, Prince Edward Island and New Brunswick, the business levy should be mandatory in all municipalities. The adoption of such a rule would mean that in practice municipalities would no longer require ministerial approval in order to impose the business tax.

(d) *Fuel Tax*

Unlike the local authorities of any other province, municipalities in Newfoundland are authorized to impose taxes on coal, fuel oil and propane gas. As indicated earlier in this chapter, these taxes are imposed on consumers and collected by retailers who remit them to the councils. One or more of these fuel taxes are imposed by practically all councils. The adoption of electric space heating by large numbers of householders and commercial establishments has raised the question of adding electricity used for space heating to the list of fuels subject to municipal taxation. During the public hearings practically every council argued that electricity used for space heating should be taxed, not only because those using fuel oil for space heating are being discriminated against but also because electricity is used for space heating by property owners with above average incomes. (The Commission does not wish to suggest that in so doing some citizens are guilty of *tax evasion*. They are merely engaging in *tax avoidance*, i.e., in refraining from the act which attracts tax. Tax evasion refers to the *illegal* non-payment of tax.) For their part, the electric utilities argued that it is impractical to measure the quantity of electricity used for space heating, because even if separate meters are installed, electrical space heating equipment can be plugged into other circuits and many installations combine heating and air conditioning in the same unit.

It is the Commission's opinion that the fuel tax is subject to criticism on other grounds as well. It tends to be highly regressive; it does not respond automatically to price rises, since it is levied in gallonage rate terms. The convenience in collecting this tax is much overbalanced by its many obviously negative features. *Accordingly, it is recommended that the fuel tax be abolished. This latter action should be considered as soon as the altern-*

ative system of municipal grants recommended in the next chapter is introduced.

(e) *Service Fee*

As indicated in a previous section of this chapter, this fee is a variation of the ancient poll tax which most provinces have abandoned entirely in recent years. The Commission recognizes that until the property tax is more widely used, the service fee will continue as one of the principal direct levies available to our smaller municipal units. *It is recommended, however, that in the taxation section of the proposed Municipalities Act, the service fee should be called what it is presently called in The City of St. John's Act, namely, the poll tax.* When it is imposed at its maximum level of $40.00 per annum, the monthly rate of this tax ($3.33) cannot be described as excessive. In many smaller communities, however, it is not even imposed at that level. *It is the Commission's view that this levy should not be imposed separately on males and females. It is recommended, therefore, that the service fee should be generally applied in accordance with existing rules, except that persons receiving an annual income not greater than the current level of the "basic personal exemption" used for income tax purposes should be exempt. This proposed amendment should be formulated in such a way that the exemption maintains its parity with upward movements of the indexed federal exemption.*

(f) *Water and Sewerage Taxes*

The Commission recommends that there should be no statutory separation, as is now the case, between user *rates* and non-user *taxes* in connection with these particular service charges. Provision for such charges should be located in the taxation section of the proposed *Municipalities Act.*

(g) *Miscellaneous Taxes*

Among the "nuisance" taxes the Commission recommends the abolition of the following levies:

- *(a) The Hawkers and Peddlers Tax;*
- *(b) The Non-Newfoundland Commercial Agents or Contractors Tax;*
- *(c) The Vehicle Tax (other than the normal regulatory levy on buses, passenger cars, and trucks, used for commercial purposes);*
- *(d) The Motor Cycle Tax.*

(h) *School Taxation*

It is recommended that, upon the establishment of regional municipal authorities, these units should become the tax billing and tax collection agencies for all school boards within their boundaries. It is also recommended that the full cost of this revenue collection function should be recovered by the municipal regional authorities from the school boards.

(i) *Tax Delinquency*

It was suggested in the first section of this chapter that tax defaults and arrears in Newfoundland's municipalities have remained at very high levels during the last two decades, notwithstanding adequate statutory provisions for enforcement of tax obligations either by civil or criminal processes. It is the Commission's view that this condition can be traced to the following causal factors:

(a) the belief held by a few that municipal governments are not legitimate agencies empowered by law to levy taxes;

(b) the belief held by some that ownership of property itself confers an immunity from taxation;

(c) the perception of local public goods as being properly "free" and, therefore, as being rightly funded by the remote provincial government obtaining its revenues "from someone else's pocket";

(d) the existence of low personal income due to seasonal unemployment or long-term disability requiring permanent social assistance and public support;

(e) the imposition of the service fee on both husband and wife who are old-age security pension recipients with no additional income sources;

(f) the unsatisfactory experience with attempts to secure collection either through the magistrate or a commercial collection agency;

(g) the unwillingness to enforce execution upon goods and chattels and payment through sales of real property if necessary;

(h) the unwillingness or inability to design and use accounting systems that enable consistent administrative direction and control of billing and collection procedures;

(i) the absence of a suitable general structure which would enable more effective collection records to be achieved, including the practice of monthly or bi-monthly billing and collection practices.

Due to considerations of size, income distribution, popular attitudes and the prevailing level of local administrative skills, it is certain that no other municipal system in Canada faces such formidable barriers to satisfactory performance in this vital fiscal sector. Some of the factors cited above are more apparent in the smaller units; but there are major collection problems confronting most municipalities. While service fees may at the council's direction be deducted from salaries and wages by the employer (where the taxpayer is employed for a wage or salary in the community), no such deduction is possible in respect of the property tax. The discussion of this matter a decade ago in another low-income province, New Brunswick, is particularly germane to the situation as it currently prevails in Newfoundland. We cite below the relevant sections of the Byrne Commission's report:

> "The final component in the administrative structure of taxation is the collection system. Efficiency and equity require that collections be organized to produce a stable revenue of reasonably certain amount and provide methods of payment which offer the greatest convenience to the taxpayer. The system must also contribute to the general equity of the tax by ensuring that the rate of collection is uniformly high. If some taxpayers are permitted to accumulate arrears, the municipality's need for revenue will force it to cover the deficiencies by increasing the levy on those who pay promptly. This will impair the standard of fairness which ought to be a fundamental objective in any taxation policy . . .
>
> Everyone is agreed that the method of paying a tax should be as convenient as possible to the taxpayer. Where this precept is ig-

> nored, a reduction in the rate of collection is inevitable. One of the reasons for the successful use of the personal income tax is that the device of deduction at source has made the payment of tax concurrent with the receipt of income. If there must be taxes, nothing could be more convenient. The practice of gearing large payments to the intervals at which the buyer receives his income is widespread. Houses, cars and household appliances are commonly paid for in monthly instalments, and the universal acceptance of these facilities is ample proof of their attraction to the great majority of the public. But in the face of these changes in the patterns of personal expenditure, most property taxes continue to be levied as if deduction at the source, amortized mortgages and budget payments had never existed. To ask an individual in contemporary society to pay a large annual bill in one amount is inconvenient to say the least. If it were not for the fact that many mortgage companies add a proportion of the annual property taxes to the monthly mortgage payment, we are certain that the accumulated arrears of taxes would be even higher.
>
> The payment of taxes in one instalment is inconvenient to the taxpayer, and it is also an embarrassment to the municipalities. Municipalities have to make payments the year round but the bulk of their income is received in two or three months of the year. The general consequence is that municipalities must raise short term loans to meet commitments in the months immediately preceding the date when taxes next become due. The interest on these loans is an unnecessary addition to municipal costs.
>
> If annual payments of taxes are disadvantageous to taxpayers and municipalities alike, why do these arrangements persist? We believe the reason is entirely an administrative one. Monthly billing of a large number of accounts requires extensive use of machine accounting methods and comparatively few municipalities in the Province have the resources or the supervisory staff required to handle such work. A few municipalities, by special legislation, do collect taxes by monthly instalments, and we wish to make a recommendation which will make this desirable practice universal throughout the Province. The recommendation is not new, for the Municipal Tax Act has a provision which will permit a municipality to collect taxes by instalment, but so far as we have been able to discover, no municipality has adopted it — presumably for the reasons we have indicated.
>
> (*Byrne Commission Report*, XIII, pp. 107-113)

Except if the Province adopted the fiscal practice now used in New Brunswick and Prince Edward Island and imposed a province-wide, general real property tax for school purposes — in which case monthly billings and collections for municipal purposes could also be collected centrally and transferred monthly to all local authorities — the Commission can discover no general administrative reform which will immediately alleviate the widespread deficiency of municipal tax collections in Newfoundland. In the long term there is a possibility that the local tax collection record could be substantially improved through the use of regional billing and collection procedures of the kind proposed in Chapter 13 of this report. Such administrative units would operate on a scale that would enable the required machine technology and data processing skills to be deployed with effective results. These proposed regional authorities however, can only be established very slowly in Newfoundland, and for a considerable period, in most instances, the present unsatisfactory administrative structure must be retained. *In the proposed Municipalities Act, however, local authorities should be authorized to bill and collect the real property tax at monthly or bi-monthly intervals. As part of its services to municipalities proposed in the last chapter of this report, it is recommended that the Department of Municipal Affairs and Housing should recruit a solicitor who, together with a small fiscal support group, would give technical advice to municipalities on their tax administration and collection activities.* In the case of a municipality wishing to institute bi-monthly billings, for instance, these officials would supply advice on procedures, equipment and staffing. Such advice should be consistent with a general policy respecting:

(a) the places at which tax payments can be made in the municipality;

(b) the length of period from receipt of notice of tax by ratepayer to date on which payment becomes due;

(c) the length of period from date on which tax is due to date on which interest is charged;

(d) the terms and conditions under which discounts can be awarded for annual payments in full;

(e) the terms and conditions under which accumulated tax arrears can be adjusted in order to liquidate prior tax obligations.

The Commission recognizes, of course, that many municipalities may not be in a position to employ such systems, and that in the interval until regional structures are introduced, they may find it necessary to continue with annual collections.

In the matter of judicial enforcement of tax payments, it should be noted that Section 98 of *The Local Government Act* and Section 145 of *The City of Corner Brook Act* enable a magistrate to impose a fine not in excess of $25.00, or in default of payment of the fine to impose "imprisonment for a term not exceeding fourteen days, or to both such fine and such imprisonment, and each day's continuance of such failure constitutes a separate offence". This provision, as noted earlier, is apparently not strictly enforced, otherwise the Province's current investment in penal institutions would be hopelessly inadequate. The fact that the provision is not enforced is a tribute to the common-sense of the magistracy. On the other hand, refusal to pay taxes that are lawfully and generally imposed is a serious breach of the obligations of citizenship, and if it is also persistent and widespread, it substantially increases the cost of local government. *The Commission recommends, therefore, that in the taxation portion of the proposed Municipalities Act, there be introduced a new section or sections which outline explicitly and in detail how councils are able to proceed against the tax defaulter through garnishee of wages or salary, through an execution levied against the ratepayer's goods and chattels, or through a sale of the defaulter's real estate. (Only the latter remedy is mentioned in The Local Government Act, for example, and in that particular statute the detailed procedures respecting tax sales are not specified.)*

As a possible model for new statutory and administrative procedures respecting actions by councils for recovery of property tax arrears, the Commission recommends that consideration be given to the New Brunswick method adopted in 1967 when that province assumed responsibility for billing and collecting municipal (as well as school) real property taxes from local owners and business occupants. First the original tax bill is mailed to the ratepayer. Second, after the tax levied remains unpaid for a designated period, a second notice is mailed informing the ratepayer that a penalty (at a prescribed interest rate) begins. Third, on the first day of the second year next following imposition of the tax, a registered letter is forwarded to the ratepayer advising him that his property is liable to be sold for unpaid taxes. Fourth, six months later, a registered letter is mailed and the defaulter is informed that his property will be sold. Fifth, within a month, if taxes remain unpaid, the council institutes proceedings to sell the property. Sixth, ultimately the sale for unpaid taxes takes place. Under this system, council action to recover unpaid property taxes for, say, 1974, would not be instituted until at least August 1, 1976. In addition, there should be provision for publication in the Gazette, and in a newspaper circulating locally (in two consecutive weeks), of the intention to proceed with tax sales. Technical details of the actual sales, including the establishment of the "upset price" (not to exceed the outstanding tax, together with penalties) and sale suspension should be prescribed.

It is the Commission's view that the institution of these procedures by statute, combined with the use of suitable arrangements at the local level requiring departmental staff support services in an advisory capacity, would certainly improve Newfoundland's municipal tax collection record in all the local authorities now using, or about to use the real property tax. A somewhat different procedure, however, may be considered with respect to the collection of business tax arrears. In the latter case, the process could involve the seizure of goods by way of execution of a warrant of distress (where applicable) rather than a sale of property. There should also be provision for redemption of seized goods, during a fixed period, if the tax payer remits to the municipality an amount equal to taxes, taxes in arrears, tax penalties, together with the legal and other costs associated with the execution of the warrant.

It occurs to the Commission, finally, that if all of these remedies are available to a council and are ineffective for want of personal assets, including real property and wages or salaries, then the defaulter must indeed be at or near the poverty line. In this matter, we agree fully with the Byrne Commission:

> "We do not consider it in keeping with contemporary attitudes to commit a taxpayer to gaol for non-payment of taxes when his goods and chattels are insufficient to meet his liability . . . We see no purpose in imprisoning the very poor for failing to pay what they do not possess. It is the height of absurdity to suppose that a man's wealth can be increased by a gaol sentence, and utterly immoral to regard poverty as an offence punishable by a term in prison."
>
> (*Byrne Commission Report* XII, p. 119)

Accordingly, we recommend that Sections 98 and 145 of The Local Government Act and The City of Corner Brook Act be amended in such a manner that no imprisonment can lawfully be imposed on a taxpayer for failure to pay any municipal tax; but the power of the magistrate to imprison should be retained in respect of any offence resulting from failure to collect and transmit taxes lawfully imposed by municipal councils. The Commission also believes that summary conviction for non-payment of municipal taxes is, by itself, of little use, unless councils themselves develop procedures which are effective in enabling the convicted offender to progressively liquidate his outstanding obligation.

The belief that even basic municipal services can be had without general and equitable contributions from local ratepayers is, in the words of the Newfoundland and Labrador Federation of Municipalities, "a harmful delusion" which ought to be "eradicated". At one point in its submission, it states that:

> "There is some evidence to indicate that there has been a lack of appreciation of the burden of responsibility that devolves upon the community as a necessary consequence of the creation of local political institutions. There is a fundamental difference between meeting the social needs of the community through the institutions of local self-government and meeting these needs through provincial crown corporations. The former carries with it the onus of responsibility for 'local' decisions on matters of tax policy."
> (*Federation Brief,* p. 41)

The Commission agrees fully with these propositions, and adds that one of the strongest contributing factors producing the lack of fiscal responsibility on the part of ratepayers has been the tutelage of municipalities by the provincial government and a system of grants in support of local authorities which has encouraged the lack of appreciation noted in the above quotation. Most observant citizens in the majority of our municipalities know of the frequency with which, following the conventional visit to St. John's, councils have succeeded in obtaining the "emergency" assistance, so called: to meet the "unforeseen" debenture maturity payments; to pay the interest on bank loans or to repay those loans; "to clean and backfill the old dump site"; to pay the legal fees associated with incorporation and with the adoption of official town plans; to underwrite the cost of "a preliminary design for the town hall"; and even, on one occasion, to print the town's regulations! Such a system, already premised on an under-developed local revenue structure in most units, is hardly calculated to induce responsible citizen attitudes toward the acceptance of tax obligations.

(j) *Industrial and Utility Contributions*

The Commission believes that no municipality should be empowered by statute to authorize long-term tax concessions by agreement with any business or industry. It recommends, therefore, that when the new *City of St. John's Act* is drafted, that power contained in the present city charter should not be delegated to the council. Fortunately, the power to make such agreements is not explicitly assigned to other municipal jurisdictions without the approval of the Minister.

The Commission's general position on business taxation was outlined above. A reformed business real property supplementary tax should ultimately displace all other business tax forms, with the exception of the turnover tax which would apply exclusively to the local business activity of residents not occupying real property for business purposes. The business tax, however, would not apply to certain properties, e.g., farmlands, timberlands, apartments, mining properties and major resource processing enterprises. *"Major resource processing" units in this context does not include sawmills, sash-and-door factories or fish processing plants. It does include pulp and paper mills, oil refineries, aluminum refineries and similar capital-intensive industrial operations.* The past practice in regard to these enterprises has been for the Province to provide a complete municipal tax exemption (e.g., Bowaters), to authorize an agreement between the company and a municipality (e.g., Iron Ore Company and Anglo-Newfoundland Co. — Price Brothers), or to prescribe that in the case of mining properties, the company should become responsible, under specified statutory rules, for a fixed percentage (40-45%) of the municipal budget (e.g., Advocate Mines).

Because of the obvious limitations of time and technical staff, the Commission has been unable to conduct or to commission the needed studies which would have enabled it to recommend a general policy framework with respect to the local taxation of these major commercial undertakings. *Based upon the practice in some other jurisdictions, however, it believes that they should ultimately all become subject to real property taxation based upon a province-wide system of industrial assessment. It is considered to be in the public interest that municipalities should not control the rate of property taxation to be imposed, except possibly within a generally applied maximum level, and that special care would be required in designating the tax base.* It may be deemed appropriate in these cases, for instance, to limit industrial assessment only to the land and the "bare shell" of buildings (i.e., floor, walls and roof), together with the incidental service equipment used (i.e., heating, air conditioning, lighting and elevator systems), and to exclude the production equipment normally included in the real property tax base. In any event, it would be necessary to provide a definition of the classes of industrial property which would become subject to this special form of municipal taxation. Much the same considerations would apply with respect to the assessment of farmland and timberland, though municipal councils should in those cases be delegated some latitude with respect to the rate of tax actually applied to the assessment base. All of these matters will become more significant as the Province moves to establish regional local authorities.

The Commission recommends, therefore, as part of the general preparation for the introduction of regional municipal authorities, the Province should retain the services of a professional consultant to examine the current agreements and all statutory provisions respecting industrial and mining contributions to municipal governments in Newfoundland, and to make recommendations thereon in relation to provincial, regional and municipal requirements. The same consultant should also be retained to supply an equivalent service with respect to the assessment of farmland and timberland.

In its brief to the Commission, Newfoundland Light & Power noted that in Newfoundland the majority of municipalities do not impose property taxes. Such municipalities must either impose their tax on the volume of business done or collect no taxes at all. Different methods of taxation and valuation procedures would lead to confusion and dissatisfaction for the municipalities and the company alike. In the alternative, a tax based on the gross revenue of the utility fairly distributes the taxes to the municipalities in relation to the business done and can be calculated exactly, independent of the location of the company's property or the particular municipal valuation procedure in use. Thus there is room for neither horse trading nor special treatment. Conventional valuation procedures do nothing to overcome the fact that the company's major plants are located in places where power may be produced cheaply, not where taxation revenues are required nor where the Company's business is done. The revenue tax deals with this matter equitably. In addition the Company pointed out that one of the principal advantages of the revenue tax to the municipalities is that it grows automatically as the Company's business grows. In its brief to the Commission, Bowater Power Company supported a gross-revenue levy of general application to investor-owned power utilities.

Accordingly it is proposed that for municipal purposes the Company pay in lieu of all municipal taxes, except property taxes on lands and buildings and payments made for services, a revenue tax totalling 2¼% as collected in each municipality. Under this proposal, the electric utilities would contribute in an equitable manner to all municipal units. In return, electric distribution facilities would be immune from direct taxation.

(k) *Provincial Grants-in-Lieu of Taxation*

If the real property tax and the business levy are to become central instruments of local government finance in future years, the Commission considers that the Province, following the practice of virtually all other jurisdictions in Canada, will be required to change completely its traditional approach in this matter. Accordingly, it is recommended that the provincial government should develop a policy similar to that now used by the federal government in respect of grants in lieu of full municipal real property taxes. These grants should extend to all provincially owned property, exclusive of hospitals. (When regional municipal authorities are established, however, the extensive unoccupied crown lands included within their limits should be exempted from the proposed grant.) All crown corporations engaged in commercial activity, moreover, should be required to contribute at full rates toward the real property tax. In the municipalities where the Newfoundland and Labrador Power Commission has distribution facilities, however, it should contribute in a manner equivalent to that recommended in respect of all electric utilities.

4 Summary

The municipal revenue structure proposed in this chapter is designed to give local governments a much simplified, broadened and more dependable tax base upon which to discharge their local service obligations in future years. During the next period of municipal development it is considered that local authorities should continue to be responsible only for those functions that are local in nature and whose benefits accrue essentially to place and property: local land use and administration; water supply and distribution; storm and sanitary sewerage disposal; streets, roads, and sidewalks; street lighting; solid waste disposal; fire and police protection; parks, community services and recreational facilities; and community planning. Any satisfactory performance in regard to these services by municipal authorities assuredly requires a continuing and substantial local contribution which, in the opinion of the Commission, can best be secured through an improved and expanded real property tax and a reformed municipal business tax. There are in practice simply no available fiscal substitutes for these primary local government tax instruments. And the key to their successful use and development in Newfoundland during the decades ahead is to be found in the recommendations detailed above concerning real property and business tax assessment. A thorough re-design and the immediate extension of the assessment function along the lines herein proposed lies at the very heart of the municipal fiscal strategy adopted in this report. Implementation of these basic recommendations will require major provincial technical staff additions, the establishment within the Department of Finance of a new Municipal Assessment Division, the conversion of the assessment system in the City of St. John's from a rental to a capital value base, and the removal from municipalities of some of their traditional options, particularly the option in respect of the exclusion of land for valuation purposes. Both in law and in practice, assessors should in the future be required to place a value on *all* land, buildings, trailers, machinery, fixtures, structures and improvements, including all tax exempt and vacant properties within municipal boundaries.

Allied with these primary recommendations in importance, however, are numerous supplementary proposals: those regarding the reduction of real property statutory tax exemptions; those requiring the use of mandatory local improvement assessments both in new subdivisions and in previously developed parts of municipalities receiving new service installations; the longer-term proposals concerning industrial, major resource processing and mining property, assessments and regional taxation; the recommended procedures in respect of tax delinquency and of improved local tax administration; and the proposals relating to grants in lieu of taxes by utilities, government departments and provincial crown corporations. In conjunction with these fiscal proposals, we also recommend the abolition of the fuel tax, the stock tax, the hawkers and peddlers tax, the (non-Newfoundland) commercial agents or contractors tax, the vehicle tax (other than the normal local levy on commercial buses, passenger cars and trucks) and the motorcycle tax. Either because of their convenience or of their relationship to local control functions, we do not recommend abolition of the circus fee, the telephone tax, and the levies on entertainments, juke boxes, automatic and slot machines (lawfully permitted), bowling establishments, billiard or pool-tables and bicycles. The total estimated net cost of these proposed tax changes cannot be calculated because of the absence of comprehensive and reliable information on the distribution of property within the Province. But it is believed that for the overall system, extension of the property tax base, the use of the proposed business tax, and the provision of grants-in-lieu of taxes, however, should themselves easily displace most of the revenue to be lost through abolition of the fuel and vehicle taxes. Particular municipal units, it is recognized, will be affected in different ways. It is clear, finally, that the introduction of these changes will have to be carefully scheduled over a three-to-five period with an eye to their differential impact upon variously situated municipalities, the need to allow a sufficient lead time for adequate development of the assessment function, and lastly, the practical need to withdraw tax exemptions by stages and to phase in the grant systems recommended in this and the following chapter of the report.

Chapter 8

Provincial Fiscal Support Policy

1. Introduction

The general nature, statistical characteristics and main deficiencies associated with Newfoundland's existing system of financial support on behalf of its municipalities have been outlined in Chapters 1, 3 and 6 above. In this chapter the Commission draws upon all of the previous analysis and comment, adds further essential detail, summarizes the many representations made to it in this vital area, and presents its final conclusions and recommendations.

The financial support provided by the Government of Newfoundland to its municipalities, both in absolute and in relative terms, has recently attained very high levels. We have indicated in Chapter 6, for example, that from 1970 to 1974 total provincial contributions to local government budgets, including the Province's outlays on city police and fire services, have grown from $8.9 to $21.8 million, an increase of some 145 per cent. During this period the total personal income of Newfoundland's citizens increased from $1,032 to an estimated $1,680 million, or by some 63 per cent. For the same period, combined provincial-municipal net revenue (i.e., total provincial and municipal revenues less intergovernmental transfers) has risen from $376.1 to an estimated $651.4 million, or by approximately 73 per cent. Based upon *preliminary* data supplied by Statistics Canada for 1972, and including the cost of city fire and police services in the case of Newfoundland, total grants by the various provinces to their municipalities (expressed as a percentage of total local revenue) are shown in Table 8-1:

Table 8-1: Provincial Government Contributions to Municipal Budgets, by Province, 1972

Province	%	Province	%
Newfoundland	34.1	Ontario	47.4
Prince Edward Island	78.0	Manitoba	42.9
Nova Scotia	49.4	Saskatchewan	35.8
New Brunswick	34.0	Alberta	44.4
Quebec	46.9	British Columbia	40.0

All Provinces 45.6%

When interpreting the above ratios it should not be forgotten that New Brunswick is really the only province that can accurately be compared with Newfoundland, since the functional responsibility of its municipalities is approximately equivalent to that of our own. Prince Edward Island, because of its structural differences, is a unique case. The municipalities in all other provinces have extensive responsibilities in the education, welfare, health, transportation, and justice fields, for which they now receive very high levels of provincial conditional grants. The Commission believes that if the grants for these latter purposes were excluded from the above calculations, and the inter-provincial comparison was confined to the exclusively municipal functions performed by municipalities in Newfoundland and New Brunswick, the relatively high ratios found in Quebec, Nova Scotia and Ontario would clearly fall below the levels recorded in the two former provinces.

2. Description of the Present System of Grants

(a) *Revenue Grant*

Until quite recently the most important element in Newfoundland's municipal support programme was the revenue grant. This grant, as we indicated in the opening chapter, is much older than Confederation; it was devised by the Commission of Government during the 1930's in an attempt to stimulate the development of municipalities at a time when St. John's was the only incorporated unit in existence. Initially, the revenue grant had a formula through which the government contributed $1.00 for every dollar raised locally up to $3,000; $0.50 for every dollar raised between $3,001 and $10,000; and $0.20 for every dollar of local collections between $10,001 and $100,000. In its present form the revenue grant provides a payment schedule as follows:

(a) $2.00 for $1.00 on collections up to $1,000.
(b) $1.00 for $1.00 collections from $1,001 up to $5,000.
(c) $0.90 for $1.00 on collections from $5,001 up to $15,000.
(d) $0.70 for $1.00 on collections from $15,001 up to $25,000.
(e) $0.50 for $1.00 for collections from $25,000 and upwards to a maximum payment of $100,000.

This grant is not paid to the cities of St. John's and Corner Brook. It will be apparent that initially its upper limit was established by the level of local revenue collections; now its upper limit is determined by a ceiling of $100,000 imposed upon the grant. Prior to 1972 that ceiling was $75,000. Late in 1973, nine of the Province's larger towns (Grand Falls, Gander, Labrador City, Mount Pearl, Windsor, Stephenville, Baie Verte, Wabush and Channel-Port aux Basques) had reached their maximum yields under the existing formula. Because of the steady increase in the number of municipalities and of local revenue collections, the grant has grown in the following incremental manner during recent years: $2.3 million (1968-69); $2.4 (1970-71); $3.2 (1972-73); and an estimated $4.1 million (1974-75). There is no equivalent of the revenue grant in any other province.

It was indicated in Chapter 6 that there are substantial variations among Newfoundland's municipalities in tax yields per capita, in the income-related effort exerted to realize those yields, and in the degree of dependency upon grants for local government purposes. Across all municipalities in our 1971 financial survey, for instance, the coefficient of correlation between taxation per capita and the amounts received per capita from the revenue grant was found to be at the moderate level of 0.48. This implies, in effect, that there tends to be a considerable number of exceptions to the general rule (and notwithstanding the grant formula) that as local tax yields increase, the grant yields increase as well. The equivalent coefficients for the statistical relationship between revenue grants per capita and some of the more important environmental variables are as follows: income per capita (0.50); social assistance payments per capita (−0.36; −0.28); population size (−0.06); population growth (0.12) and density (0.10). The equivalent coefficients in respect of the water, sewerage and road pavement ratios are 0.33, 0.41 and 0.32. Thus it is concluded that while the revenue grant displays only a moderate association with tax yield and income, it does not bear much coherent relationship with the other principal environmental and service variables. And it was noted that only a tenuous association (0.26) existed between revenue grants per capita and local tax effort. (It should be remembered, however, that the latter coefficient relates only to the 70-some units for which income data were obtained; in the case of all other coefficients the full sample of 116 municipalities was used in the comparison. A more detailed examination of the revenue grant in relation to local tax effort is provided below.)

(b) *Per Capita Road Grant*

The per capita road grant originated in 1890 when district boards were elected outside of St. John's to engage in local service activity. As indicated above, most of these units had disappeared by the 1920's. Two decades later, however, the Commission of Government introduced local roads committees; the present local road boards that operate outside of incorporated communities are the descendents of these latter organizations. These bodies, established under *The Local Road Boards Act, 1956,* as amended, still receive the road grant. Municipalities also receive these grants. The formula upon which grants are based, and which has been in effect since 1964, is as follows:

(a) in all local road board and community council areas having high-road connections, annual grants are computed on the basis of $400.00 per mile plus $1.00 per capita of population;

(b) in respect of town councils, rural district councils and local improvement districts, a grant of $2.50 per capita of population is allocated; and

(c) in all local road board and community council areas without high-road connection, annual grants are awarded on the basis of $3.00 per capita of population.

St. John's and Corner Brook do not receive the annual road grants. It should be added that in the case of local government communities, the grants are intended for road maintenance only; snow clearing (but not ice control) is undertaken by the Department of Transportation and Communications in local road board and community council areas, except on roads where less than two dwellings are located. Towns, rural districts and local improvement districts, on the other hand, must assume responsibility for snow clearing on their own local roads, except during the first year of incorporation. The latter units are also responsible for local road and bridge maintenance operations. A *partial* exception in this respect has been authorized in the town of Conception Bay South. The road grant is a very small component of total provincial allocations to municipalities; the current estimate (1974-75) for all local road grants is $1.6 million, of which almost $1.0 million will be assigned to municipal units and the remainder to local road boards. In recent years the municipal share of the grant has risen in the following manner: $0.5 million (1968); $0.6 million (1970); and $0.7 million (1972). While many Canadian provinces make per capita allocations to their municipalities, none has a support programme geared specifically to local roads in this manner.

It was indicated in Chapter 6 that the correlation among road grants per capita and the main environmental and service variables tended to be very weak and almost universally negative in character. This pattern of association, together with those prevailing in respect of the revenue and road grants in combination, is summarized below.

	(1) Revenue Grant Per Capita	(2) Road Grant Per Capita	(3) Revenue Plus Road Grants Per Capita
1. Population Size	−0.06	−0.26	−0.15
2. Population Growth	0.12	−0.14	0.06
3. Public Road Mileage	−0.01	−0.17	−0.07
4. Density	0.10	−0.36	−0.02
5. Income Per Capita	0.50	−0.34	0.45
6. Short-Term Assistance Per Capita	−0.36	0.00	−0.35
7. Long-Term Assistance Per Capita	−0.28	0.09	−0.25
8. Water Service Level	0.33	−0.18	0.26
9. Sewerage Service Level	0.41	−0.18	0.34
10. Road Pavement Ratio	0.32	−0.20	0.25
11. Taxation Per Capita	0.48	−0.25	0.40
12. Local Tax Effort	0.26	−0.16	0.24

The strongest association noted in column (2) is the inverse relationship between road grants per capita and the density and per capita income measures. Even in these two cases, however, the coefficients indicate a largely indifferent pattern of association. This implies that as population density and income increase, there are a great many exceptional cases where road grants also increase, in spite of the generally prevailing inverse association. *It is of particular interest that the key relationship between the size of road grants and the size of local road mileage is statistically insignificant.*

Because the revenue and road grants are really the only two components of the Province's support structure that are grounded in explicit formulas, the Commission deemed it appropriate to examine their combined impact on municipalities. The general character of this relationship is indicated in column (3) above. It is clear that the effect of the road grant upon the revenue grant is to reduce still further the generally weak associations found between the latter grant and the main environmental service and fiscal indicators. When the 70 larger municipal units were grouped into five tax effort categories, with each local authority ranked in order of the income-related intensity of its fiscal effort, the following results were obtained:

Tax Effort Groups	(1) Average Revenue and Road Grants Per Capita	(2) Mean Deviation of Revenue and Road Grants Per Capita	(3) Rank Order Correlation Coefficient
Highest	$11.49	$3.56	0.11
Above Average	10.40	1.53	−0.01

Tax Effort Groups	(1) Average Revenue and Road Grants Per Capita	(2) Mean Deviation of Revenue and Road Grants Per Capita	(3) Rank Order Correlation Coefficient
Average	10.78	3.36	−0.21
Below Average	10.30	2.76	−0.17
Lowest	9.37	2.24	0.23

When the very weak regularity in column (1) is interpreted in relation to the average deviation indicated for each group in column (2), it becomes clear that no strong general association can be found between the budgetary impact of these grants and their relationship with local fiscal effort. And the behaviour of the coefficients found in column (3) suggests that *within* each group there are weak but strongly contrasting patterns of grant impact.

(c) *Water and Sewerage Subsidy*

The Province's allocations in this key sector are difficult to identify precisely but there is no doubt that for some years they have been growing very rapidly; they now constitute, in all probability, the largest single component in Newfoundland's grant structure. This programme in support of local government represents a unique attempt by the government to promote rapid service development, particularly in the medium-sized and more recently in the smaller incorporated communities. It is premised on the assumption that many municipalities could never secure the needed services within the present fiscal framework of local government, including the traditional revenue and road grant structures examined above. The water and sewerage subsidy programme began in 1956 in response to the then pressing needs of the town of Windsor. After much technical examination, the town was eventually authorized to proceed with installation using local council forces, and the government then began providing an annual subsidy on its behalf of $75,000. This precedent was followed by other decisions of a similar *ad hoc* nature, in response to situations deemed to be most urgent or meritorious. Finally, in 1967, an attempt was made to base the subsidy on some kind of formula. The guidelines eventually adopted for maximum annual subsidies were as follows:

(a) for municipalities of up to 1,000 in population, $30,000;
(b) for municipalities from 1,000 to 3,000, $69,000; and
(c) for municipalities above 3,001, $75,000.

It was assumed that the subsidies would be assigned only to *growing* communities, and that a minimum monthly user charge of $5.00 would be contributed by each household. In the case of each subsidy request, estimates were prepared of all capital costs, debt carrying charges required annually, the yield of the monthly service charge, the yield of other local revenues and grants. A subsidy was then recommended to the Lieutenant-Governor in Council. The imposition of a real property tax was not made a "condition precedent" to approval of the subsidy arrangements ultimately accepted by the cabinet. Each application, however, required separate approval by the latter body "on the basis of priority of need in relation to the size of the subsidy required". Installations were authorized either by public tender call or by councils themselves under the supervision of consulting engineers. Except to a very limited degree in New Brunswick, there is no equivalent of this programme found in any other Canadian province.

There are a great many difficulties associated with this subsidy system. For one thing, the Commission has encountered an uncommon difficulty in securing information regarding the precise costs of the subsidy programme and their distribution among the recipient local authorities. The municipal audited financial accounts for 1971, for instance, do not always enable one to identify precisely the actual subsidy; the departmental records, on the other hand, are not maintained in such a fashion that payments to all recipient units can be tallied consistently. Discount subsidies, special grants — some of them for capital as well as current purposes — and water subsidies are often grouped together for accounting and reporting purposes. The Commission was informed initially that in 1971-72, for instance, the amount of the subsidy had reached $4.4 million. But this estimate included "grants for small capital projects involving the installation and extension of and improvements to water and sewerage systems". A subsequent estimate for 1971-72 placed the subsidy at $2.4 million.

Then, in the summer of 1973, the Commission received another estimate from the department of the *actual subsidies* paid to municipalities during *1972*. This estimate indicated that only 35 units were in fact receiving the subsidy, and that its amount was just under $2 million.

When the Commission compared this information with the admittedly inaccurate budget data for 1972 in respect of the 35 municipalities in question, it found that in fully one-third of the cases the actual subsidy indicated was greater than the total grants as estimated by municipalities in their own budgets. The estimated subsidy amounts for 1972, moreover, did not relate strongly to those obtained by the Commission from the audited 1971 municipal budgets in its sample. Yet it is clear that there ought to be an annual consistency in the amounts distributed under the programme. The Commission's conclusion is that no really accurate estimate of the water and sewerage subsidy can be made. Our own figures undoubtedly underestimate the actual subsidy paid in some cases. In the absence of more accurate substitutes, however, we have not altered them. The department's estimate for 1972 obviously excludes about one third of the municipal units then receiving the subsidy, and in some cases grossly overstates the amount of the subsidy. The Commission does not believe, for instance, that in 1972 the towns of Winterton and Burgeo were receiving an annual *subsidy* of $124 and $112 per capita in respect of their water systems, nor that St. Lawrence, on the other hand, was receiving only $0.82 per capita for this purpose as indicated in the 1972 estimate. Many communities certainly are receiving assistance at the $30 to $60 per capita level. Official departmental estimates indicate that subsidies in total have increased from $1.9 million in 1970-71 to $7.0 million in 1974-75. There is no doubt whatever that subsidies have grown very rapidly in recent years, but by precisely what amount it has been impossible to determine. The Commission believes that perhaps as many as 60 municipalities are now receiving this form of assistance in substantial amounts.

Operationally, the subsidy system has given rise to many problems. Almost from the moment of their adoption in 1967, for example, the guidelines were not — indeed could not — be followed consistently. In the first place, population ranges within which the maximum subsidy was to be paid were established with little realism. Under the guidelines adopted, for instance, a community with 890 inhabitants was eligible for a maximum support of $30,000, whereas a municipality with 1,100 was entitled to assistance of up to $69,000. Secondly, the rates of capital assistance provided in the formula were established with reference to the historical experience with *ad hoc* subsidy decisions and costs. This base was unrealistic in relation to both the increasing costs of installation and to the increasing sophistication of the systems being considered when higher standards were adopted with respect to, say, sewerage treatment and disposal. Third, the calculation of the subsidy amounts involved an assumption that monthly user-charges would be fully collected each year by the municipality. Fourth, since the subsidy has no definite time limitation and is established at a fixed annual amount, there is no incentive for recipient municipalities to increase their user-charges. Fifth, the department and government have been quite unable to use the formula in dealing with the "deluge of demands based on rising expectations, population growth, and public health needs."

Other operating features of the subsidy programme should be noted, some of which were specified in Chapter 5, above. In view of the limitations inherent in the formula, it had ultimately to be abandoned. When it was in use, however, a tendency emerged to approach installation requests in stages. The first phase (when the entire maximum allotment was used) was inevitably followed by subsequent stages, since the initial decision carried with it an implied commitment to support the extension of service to all local residents. This response pattern effectively destroyed the entire policy framework. From the beginning, moreover, there were difficulties with the matter of local monthly user-charges. Rates of $7.00 to $8.00 per month were considered by local leaders to be the maximum tolerable limit, irrespective of variations in installation costs, rising money costs, and technical system requirements. Communities in close proximity to one another expected common rates to apply, irrespective of such differences and times of installation. Inevitably, too, communities had to be accommodated whose populations were declining or whose needs from a public health standpoint were not really pressing. *Among the 46 units receiving subsidies in 1971, for example, more than one-quarter had experienced a population decline between 1966 and 1971.* Some of the latter municipalities, moreover, were awarded the highest per capita subsidies in the province: Badger's Quay — Valleyfield — Pool's Island, Badger, Glenwood, Wesleyville and Winterton, for instance. Another negative aspect of the subsidy system relates to the difference between cost recovery in the case of the smaller units who received assistance and the practice obtaining in larger centres of the Province. It has come to be expected in the latter units that the purchaser of a building lot will be required to assume a major portion of land servicing cost which is built in to the purchase price. In the smaller assisted communities, on the other hand, vacant serviced land has been bought and sold without capital recovery of these service costs and the monthly user charge, in addition, has been subsidized apparently in perpetuity.

It should also be noted that the Water Services Division of the Department of Municipal Affairs and Housing, as indicated in Chapter 5, is responsible for the provision of water supply systems in many unincorporated communities of the Province. The demand for these services has grown to the point where, in 1973, the department estimated that its then current annual expenditures ($300,000) would have to be trebled. In 1974-75 its vote for these services is $640,000. The formula under which the programme is administered enables the Province to assist communities or groups in both a financial and a technical manner. Such assistance in 1973 was restricted to $300 per household or to $10,000 per community, whichever was the lesser amount. The Commission has been informed that these criteria are currently under review. (We point out that the costs of this programme are not included in the definition of provincial grants used in the report.)

(d) Special, Emergency Assistance, Capital Projects, City and Miscellaneous Grants

In recent years this component of provincial assistance to municipal governments has grown very rapidly. It is, however, subject to extreme annual variation. Like the water and sewerage subsidies, these grants are generally allocated in accordance with no formula. Exceptions to this general rule apply in respect of certain "conditional" grants associated with fire equipment purchases, incinerator installations (between 1971 and 1973), road paving projects and (to some extent) recreational facilities and programmes. Because of inherent accounting problems, the Commission has in its financial calculations grouped all of these contributions under the single, residual heading of "special" grants. We deal first with the purely discretionary element relating to special or emergency assistance.

(i) *Special or Emergency Grants*

As with the water and sewerage subsidies, no really accurate annual account can be had of the magnitude and variation of these contributions. Information supplied to the Commission by the department indicates that special grants achieved the following levels in recent years: $1.7 million (1968-69); $1.7 million (1969-70); $0.3 million (1970-71); $1.7 million (1971-72)- of which nearly $1.6 million was allocated as "special projects" — and $0.4 million (1972-73). Revised estimates for 1973-74 indicate that "special assistance grants" and "special assistance (capital)" involved an actual expenditure of $3.4 million, of which $0.5 was for non-capital purposes. The current vote (1974-75) under these two heads, however, is only about $1.3 million.

As early as 1941 the government instituted these grants and vested in the Minister discretion with respect to their distribution among municipalities. This support programme is entirely *ad hoc* in nature, although in origin it was clearly intended to meet *bona fide* emergencies, "where a municipality is suddenly faced with an unexpected need for expenditure, for example, excessive storm damage to streets . . . for which no other form of (local) revenue was available." Over the years, however, it has acquired the much more important role of recognizing the "inherent municipal disparities which exist in the Province, and of supplying the resources for some measure of equalization". But the special grants are awarded with reference to no criterion which enables the Minister to determine the need for equalization grants. The funds available from this particular vote are used mainly to subsidize both the construction and operating costs of normal municipal services where these costs are deemed to be beyond the fiscal capacity of local authorities. Needless to say, there is more dissatisfaction with this programme than with any other; and its administration places an incredibly onerous burden upon the Minister and his officials.

In response to a request (Question No. 253, March 29, 1971) the then Minister tabled in the Legislature a list of what were described as "Emergency Assistance Grants" disbursed to municipalities in Newfoundland during the fiscal years 1969-70 and 1970-71. The Commission has subjected this list to statistical analysis, the result of which is set out in Table 8-2:

Table 8-2: Purposes for Which Emergency Assistance Grants Were Awarded, 1969-70 and 1970-71

Nature of Grant	Number	Average $	Total $	%
1. Interest on Bank loans, loan repayments and debenture charges [1]	73	14,118	1,030,626	49.9
2. Water and Sewerage Grants[2]	56	7,793	436,425	21.1
3. Public Improvements and essential Municipal services[3]	42	3,190	133,995	6.4
4. Fire and other equipment purchases[4]	42	2,822	118,542	5.7
5. Roads and snow clearance[5]	48	2,339	112,254	5.4
6. Dumps, incinerators and drainage[6]	18	2,202	39,633	2.0
7. Miscellaneous[7]	53	3,690	195,576	9.5
Total	332	6,226	2,067,033	100.0

Source: Answer to Question No. 253, March 29, 1971, by Mr. Murphy, St. John's Centre.

[1] Some typically large allocations were made as follows: Badger, $37,291 ($31.41 per capita); Bishop's Falls, $57,436 ($13.89); Centreville, $32,338 ($68.80); Dark Cove-Middle Brook-Gambo, $26,105 ($10.09); Burin, $31,608 ($11.46); Dunville, $37,838 ($21.72); Freshwater, $28,869 ($18.48); Gander, $35,102 ($4.53); Glenwood, $36,980 ($37.77); Happy Valley, $147,832 ($29.94); Jerseyside, $23,262 ($21.92); La Scie, $34,347 ($27.36); Marystown, $15,000 ($3.02); Mount Pearl, $50,000 ($6.93); Peterview, $10,270 ($10.77); Roberts Arm, $15,805 ($15.14); St. Anthony $17,322 ($6.68); Stephenville, $15,695 ($2.02); Wabana, $32,329 ($5.96); Wesleyville, $31,324 ($27.43); Windsor, $75,000 ($11.29); and Winterton, $23,155 ($29.16).

[2] This allocation in respect of water and sewerage services includes 41 grants (73%) of under $10,000 for public wells, water and sewerage lines, chlorinators and miscellaneous utility purposes. The smallest allocation was $88 to Blow-Me-Down (Port de Grave) for a public well. Of the 15 grants in excess of $10,000, the largest was awarded to Glovertown, $48,000 ($25.06 per capita).

[3] Grants made under those general headings are not designated as to purpose. The largest grant for "essential municipal purposes" was given to Wabana, $62,000 ($11.44 per capita), while the smallest allocation was given to Hermitage for "public improvements", $400.

[4] Under the heading of equipment purchases, the largest grant went to Placentia, $8,000 ($3.62 per capita), while a number of small allocations were made to Rocky Harbour, St. Paul's, Sally's Cove and Conche.

[5] Grants awarded for roads and snow clearance numbered 48; they ranged in size from $15,000 ($4.43) in the case of Wabush to $224 in respect of Buchans (L.I.D.)

[6] For dumps, "anti-pollution measures", incinerators and drainage, the largest allocation was given to Jerseyside, $7,500 ($7.07) and the smallest to Bay Roberts for the "Shearstown dump", $100.

[7] The purposes for which this residual category of grants were made are as follows: playgrounds, town halls, unspecified recreational facilities, skating rinks, stadiums, election expenses, printing local regulations, paying the legal fees for incorporation or for the public hearings associated with municipal plan adoptions or revisions, assessments undertaken for school tax authorities, designs for town halls, "operating expenses", street lighting, demolishing a water tower and so on. Many of these latter grants are for very small amounts, but the category average is above that for groups (3) through (6). Some of the typically larger allocations went to Pasadena, $20,000 ($20.74 per capita) for a town hall; Deer Lake, $16,500 ($3.73) for a stadium recreation facility; Burgeo $12,500 ($5.62) for a playground and other facilities; and Bay Roberts for unspecified improvements and services, $21,000 ($5.67). The smallest grant in this group was given to Bonavista for the printing of regulations, namely, $48.75.

Sometimes individual municipalities are given grants over a series of years for some designated purpose; amounts have been authorized in this manner for a number of towns (e.g., Deer Lake, Clarenville, Channel-Port aux Basques) to help meet the operating cost of tourist chalets. Dunville was given grants totalling $52,270 ($30.00 per capita) during 1970 and 1971 for park development. In 1972 Pasadena was given $12,015 ($12.46 per capita) for the development of a dump. Other purposes not listed above for which special grants have been recently made include ambulance services, local fairs, clinics and public libraries. Every year, however, there is a substantial number of municipalities that receive no emergency assistance grants. In the two years examined above, only 145 municipalities (66%) received these grants. The average grant exceeded $6,000 with the average level for allocations in respect of loan or debenture payments and for water and sewerage projects being $14,118 and $7,793 respectively. It is not uncommon for the same municipality to be awarded a number of special grants in any given year. From the above table it may also be seen that nearly half of all the money used for these support activities was channeled into loan and debenture repayment grants, while just under one-quarter was assigned on behalf of water and sewerage projects.

(ii) *Capital Project Grants*

Apart from the equipment purchase grants included under the emergency assistance category described above, the principal remaining special grants are made in support of local road paving operations, recreation facilities and, for a period from 1971 to 1973, regional incinerators. The street paving assistance programme is of primary importance. These grants are paid primarily in respect of shared-cost projects pertaining both to the reconstruction and initial paving of local roads, where a specific agreement has been made between the Minister of Municipal Affairs and Housing and the municipality under the terms of the provincial-municipal street paving programme. When this policy was first introduced, financing was arranged by means of a five-year bank loan with one half of the retirement cost of principal and interest being borne by the Province. That programme was discontinued in 1968, and has been reintroduced for the fiscal year 1972-73, with the modification that the financing be carried out over a 20-year period. Meanwhile, bank loans made prior to 1968 are gradually being liquidated through the sale of debentures by the Newfoundland Municipal Financing Corporation and payments due from the municipality and the Province under the 50-50 arrangement are being paid to the Corporation. Payments made in the 1971-72 fiscal year, of which $845,000 covered commitments incurred under agreements made prior to 1968, totalled $1,447,603. For fiscal 1974-75, the departmental vote for road paving assistance grants is $1.1 million.

Apart from a few minor operating grants in support of local recreation commission programmes, and exclusive of the special grants under the emergency assistance category that are applied to recreation purposes, the Province's main thrust in this sector is its recreation capital grants plan adopted in 1971. The purpose of this programme is to assist municipalities meet the cost of stadiums, youth centres and other athletic and recreation facilities. In certain instances, the programme extends to the assistance of incorporated sports clubs.

The formula under which this grant system operates is as follows. When it is considered that a municipality has a sufficient population base, it may be awarded a capital grant of up to 75 per cent of the cost of a stadium, up to a maximum amount of $200,000 for construction and $30,000 for equipment. A similar arrangement can be undertaken in the case of recreation centres, except that the formula allows 75 per cent of the capital cost up to a maximum of $20.00 per capita. The grants are made in five annual installments and the Minister of Rehabilitation and Recreation has discretion, under certain circumstances, to assist in the major repair of stadia. The Province will in 1974-75 spend an estimated $2.7 million on various recreation programmes, of which nearly $1.9 million will be capital outlays for community sports facilities. Until 1977-78 the government has committed a capital amount of $3.1 million for the following 109 grants: 13 ($100,000 or above); seven ($50,000-$99,999); five ($25,000-$49,999); 84 ($500-$24,999). A great number of these projects are already in progress. Administrative responsibility for the control and direction of this programme, it should be noted, does not fall to the Minister of Municipal Affairs and Housing.

For a brief recent period, a support programme was operated in respect of regional incinerators, with the Province supplying the entire cost of these installations in 26 locations. Various problems were encountered in the development of this plan, including technical deficiencies with the incinerators and the unsatisfactory manner in which localities using them shared their responsibility for control of operations. At the time of writing, this programme had been halted. We note, however, that in 1974-75 the department will spend an estimated $200,000 on grants for fire fighting and incinerator equipment.

(iii) *City and Miscellaneous Grants*

Apart from the major federal programmes, with which the Commission does not have a direct concern, it remains for us to describe the city grants, the initial grants and miscellaneous allocations to the St. John's Metropolitan Area Board. City grants are not based upon any formula, except those allocations accruing in respect of urban renewal, housing programmes or sewerage treatment schemes which generally involve federal as well as provincial-municipal participation. In Chapter 6 it was demonstrated that even when the cost to the Province of city police and fire services is taken into account, provincial support of city budgets (27%) is much lower than its equivalent support (56%) of all non-city budgets. For 1974-75, the departmental vote for city budgets is only $570,000, of which $500,000 will be transferred to Corner Brook. (Of the small token amount given to St. John's, two elements may be described as statutory grants: $10,000 toward the operation of Bowring Park and $10,000 in lieu of taxes on motor vehicles.) In most of the analysis which it has undertaken, the Commission has included, besides the city grant and the $100,000 annual water subsidy to Corner Brook, the estimated cost to the Province of city fire and police services. This latter amount, imputed as a special grant, was $3.3 million in 1970-71 and during 1974-75 is estimated to reach a level of $5.8 million. Because the Board has assumed some minimal service functions, the grant to the St. John's Metropolitan Area Board has steadily increased in recent years. During 1974-75 it is estimated to be $348,000. Initial grants are special start-up assistance allocations that in the current year should not exceed $50,000. The department also makes a special grant to the municipality of Conception Bay South. In 1973-74 it amounted to $50,000 and is projected to rise to $100,000 during the current fiscal year.

The fiscal equivalent of virtually none of these Newfoundland special (emergency assistance, capital, city and miscellaneous) grants is found in any other Canadian municipal system.

3. Grant Impact Analysis

In its attempt to understand the basic design features and the operational dynamics of Newfoundland's unique system of financial support on behalf of its local authorities, the Commission has had to deploy a battery of methods which matched in complexity the extraordinarily variable and often elusive realities of local government finance. A selected number of the primary conclusions derived from computer-based techniques and other methods of study were outlined in Chapter 6 and in Statistical Annex A, below. We wish now to present that part of the analysis required before proceeding to a summary of the representations received and to the conclusions and recommendations. This section, accordingly, deals with the following substantive matters:

(a) a summary of the degree of statistical association found to exist among the various grant components and the principal fiscal, service and environmental indicators;

(b) the relationship between grants and local tax effort;

(c) the impact of grants in terms of municipal type, population size, regional distribution, density and income per capita;

(d) a summary of the patterns of interaction found to exist among the "regular" grants and the "special" grants in terms of their tendencies toward positive reinforcement, negative reinforcement and countervailing impacts in relation to the size of municipalities and the levels of their revenues raised exclusively from local sources.

(a) *Statistical Characteristics of Grants: A Summary*

There was much evidence presented in Chapter 6 (and in Statistical Annex A) to suggest that as a general rule, but with some exceptions, the correlation among revenue and road grants, water and sewerage subsidies and special grants, on the one hand, and the main environmental, service and fiscal indicators on the other, was weak and uncertain. Since it is necessary to examine all elements of the grant structure in relation to one another, we summarize below the patterns of association prevailing in 1971, the latest year for which the Commission could obtain reliable information on all the important municipal budgets in the Province:

	(1) Revenue and Road Grant Per Capita	(2) Water and Sewerage Subsidies Per Capita	(3) Special Grants Per Capita	(4) Total Grants Per Capita
1. Population Size	−0.15	−0.02	0.12	0.08
2. Population Growth	0.06	−0.07	0.00	0.00
3. Public Road Mileage	−0.07	−0.01	0.07	0.05
4. Density	−0.02	0.10	0.07	0.07
5. Income Per Capita	0.45	−0.05	−0.05	0.00
6. Short-Term Assistance Per Capita	−0.35	−0.03	−0.10	−0.14
7. Long-Term Assistance Per Capita	−0.25	−0.16	−0.11	−0.16
8. Water Service Level	0.26	0.43	0.30	0.38
9. Sewerage Service Level	0.34	0.36	0.31	0.39
10. Road Pavement Ratio	0.25	0.20	0.23	0.28
11. Taxation Per Capita	0.40	0.36	0.25	0.34
12. Local Tax Effort	0.24	0.41	0.19	0.27

It is apparent from this comparison that except for the weakly moderate relationship found between water service levels, local tax effort and the water and sewerage subsidy, very little statistical coherence is found among the coefficients in columns (2) and (3). Indeed, the very moderate associations noted earlier between the revenue and road grants, and both taxation per capita and income per capita, are effectively diminished as a consequence of the subsidies and special grants. *When the total allocations made to local governments are considered, therefore, the key relationship between income per capita and grants per capita is reduced to a wholly incoherent pattern from a statistical standpoint.*

(b) *Grants and Local Tax Effort: A Summary*

When the 70 larger municipal units were grouped into five tax effort categories, with each local authority ranked in order of the income-related intensity of its fiscal effort, the following results with respect to the special and total grants were obtained:

	Average Grants Per Capita			Rank Order Correlation Coefficients		
Tax Effort Groups	Revenue Plus Road (1)	Special (2)	Total (3)	Revenue Plus Road (4)	Special (5)	Total (6)
Highest	$11.49	$14.22	$32.69	0.11	0.04	0.24
Above Average	10.40	35.89	53.31	−0.01	0.07	0.22
Average	10.78	13.72	28.54	−0.21	0.33	0.64
Below Average	10.30	6.98	17.32	−0.17	−0.48	−0.14
Lowest	9.37	9.88	19.25	0.23	−0.03	−0.05

It is clear that the very weak regularity apparent in respect of the revenue and road grants as they relate to local tax effort (Column 1) is neutralized substantially by the effect of the generally larger average per capita special grant (Column 2). The configuration of total grants per capita, as a consequence, describes an uneven average pattern across the five tax effort categories (Column 3). When the relationship among grants *within* each category is examined, however, there is noticeably strong association only between total grants and average tax effort (0.64), and a more moderate, inverse association between special grants and below average tax effort (−0.48). For full details, see Section 5, Annex A, below.

(c) *Grant Impact: Breakdown by Standard Municipal Categories*

The more detailed statistical examination of the Province's contributions to Newfoundland municipal finance presented in Chapter 6, together with the summary outlined immediately above, are of central importance in this inquiry. Yet the Commission considers it necessary to carry its analysis forward in an even more concrete manner. Accordingly, it presents below a series of analytical tables on municipal finance based upon the findings of the 1971 fiscal survey.

The first of these presentations, Table 8-3 (A-G), is a long, seven-part compilation of the actual dollar amounts raised locally, the actual grants received and the total disposable revenue available to 117 municipalities. Parts A and B of the table constitute a summary of Parts C through G. This presentation enables the reader to examine the actual budgetary pattern prevailing in each municipality included in the sample, along with the group totals, averages and per capita ratios. (As indicated earlier, the 75 towns include most of the main non-city municipalities in the Province — except Botwood, whose 1971 audited statement the Commission was unable to obtain — together with the cities and a sample of the non-town units. It should also be remembered that the estimated special grants to cities are really provincial expenditures in respect of fire and police services.) This basic information is self-explanatory; it constitutes the raw material upon which the Commission's main fiscal inquiry is based.

Following Table 8-3 there is presented a three-part tabulation of the results of a computer break-down analysis of local revenue and provincial grant patterns found in 1971. Table 8-4(A) is a break-down of the ratios indicating the proportional contributions of local revenues and provincial grants in accordance with the standard municipal categories used in this study, namely, type of unit, population size group, census division, density category and income per capita group. (When interpreting these ratios it should be kept in mind that all averages are unweighted with respect to population, and that as we have earlier seen, the averages are themselves artifacts of the sample which conceal substantial variation.) In any case, Table 8-4(A) indicates that for all units whose budgets were included in the survey, contributions by the Province accounted for 63.3 per cent of total disposable local resources. The special grants were less important overall (26%) than the non-discretionary grants (revenue, road and water-sewerage contributions), since the latter accounted for nearly 38 per cent, a proportion slightly larger than the amount raised from local sources (37%). The equivalent ratio for local taxation, however, was only 30 per cent.

Table 8-3(A):
Summary Table: Newfoundland Municipal Revenues (Own Sources) and Provincial Revenue, Road, Water-Sewerage and Special (Emergency) grants to local Governments, for Units included in Sample Survey for Calendar Year 1971

Municipal Category	Population	Total Tax Yields	Total Non-Tax Revenue Yields	Total Local Revenues (Own Sources)	T.L.R. Per Capita	Revenue Plus Road Grants	Water-Sewerage-Grants	Special Grants	Total Grants to Munici-palities	T.G. Per Capita	Total Disposable Revenue	T.D.R. Per Capita
		(Thou.$)	(Thou.$)	(Thou.$)	$	(Thou.$)	(Thou.$)	(Thou.$)	(Thou.$)	$	(Thou.$)	$
All Units in Survey: 117	333,141	15,912.5	2,025.5	17,938.0	53.85	2,558.4	813.9	6,681.6	10,053.9	30.18	27,991.9	84.03
2 Cities (%)	34.5	66.8	52.5	65.8	102.25	14.4	12.2	56.1	42.0	36.87	56.9	139.12
75 Towns (%)	50.6	27.6	37.6	28.7	30.57	70.3	80.7	39.2	50.5	30.11	36.5	60.68
5 Rural Districts (%)	1.7	0.4	0.7	0.1	10.65	1.7	1.8	0.9	1.2	18.36	0.7	29.01
18 Local Improvement Districts (%)	9.7	5.0	7.9	5.3	29.67	10.3	5.3	3.3	5.2	16.44	5.3	46.11
17 Local Government Communities (%)	3.5	0.2	1.3	0.1	5.43	3.3	-	0.5	1.1	9.90	0.6	15.33
Total (%)	100.0	100.0	100.0	100.0	-	100.0	100.0	100.0	100.0	-	100.0	-

Table 8-3 (B):

Municipal Categories		Population 1971	Total Tax Yields	Total Non-Tax Revenue Yields	Total Local Revenues (Own Sources)	Per Capita	Revenue Plus Road Grants	Water-Sewerage Grants	Special Grants	Total Grants	Per Capita	Total Disposable Revenue	Per Capita
			(Thou.$)	(Thou.$)	(Thou.$)	$	(Thou.$)	(Thou.$)	(Thou.$)	(Thou.$)	$	(Thou.$)	$
Cities	2	114,411	10,636.4	1,062.6	11,699.0	102.25	368.5	99.0	3,750.8	4,218.3	36.87	15,917.3	139.12
St. John's		88,102	8,177.9	782.9	8,960.8	101.71	55.0	-	3,318.2	3,373.2	38.29	12,334.0	140.00
Corner Brook		26,309	2,458.5	279.7	2,738.2	104.08	313.5	99.0	432.6	845.1	32.12	3,583.3	136.20
Towns (Total)	75	168,536	4,390.6	761.9	5,152.5	30.57	1,798.5	656.7	2,618.9	5,074.1	30.11	10,226.6	60.68
(Average)		2,247	58.5	10.2	68.7	30.57	24.1	8.9	34.9	67.9	30.11	136.6	60.68
Rural Districts	5	6,393	53.0	15.1	68.1	10.65	44.6	14.7	58.1	117.4	18.36	185.5	29.01
(Average)		1,279	10.6	3.0	13.6	10.65	8.9	2.9	11.6	23.4	18.36	37.1	29.01
Local Improvement Districts	18	32,205	795.2	160.2	955.4	29.67	263.4	43.5	222.4	529.3	16.44	1,484.7	46.11
Labrador City		7,622	490.5	131.2	621.7	81.57	87.6	-	-	87.6	11.49	709.3	93.06
Wabush		3,387	224.5	7.1	231.6	68.38	56.6	26.9	-	83.5	24.65	315.1	93.03
(Average)		1,789	44.2	8.9	53.1	29.67	14.6	2.4	12.4	29.4	16.44	82.5	46.11
Local Government Communities	17	11,596	37.3	25.7	63.0	5.43	83.4	-	31.4	114.8	9.90	177.8	15.33
(Average)		682	2.2	1.5	3.7	5.43	4.9	-	1.8	6.7	9.90	10.4	15.33

Table 8-3 (C):

Municipality	Population 1971	Total Taxes	Total Non-Tax Revenue	Total Local Revenue	Revenue Plus Road Grants	Water and Sewerage Subsidies	Special Grants	Total Grants	Total Disposable Revenue
St. John's	88,102	8,177.9	782.9	8,960.8	55.0	-	3,318.2	3,373.2	12,334.0
Corner Brook	26,309	2,458.5	279.7	2,738.2	313.5	99.0	432.6	845.1	3,583.3
Arnold's Cove	919	6.7	5.0	11.7	14.7	-	3.0	17.7	29.4
Badger	1,187	29.1	3.8	32.9	13.2	14.6	98.7	126.5	159.4
Baie Verte	2,397	171.0	4.9	175.9	58.6	2.0	-	60.6	236.5
Bay Roberts	3,702	35.3	0.8	36.1	40.1	-	-	40.1	76.2
Belleoram	530	4.8	0.1	4.9	2.5	2.6	2.8	7.9	12.8
Bishop's Falls	4,133	78.8	17.0	95.8	34.4	17.8	88.9	141.1	236.9
Bonavista	4,215	36.4	3.3	39.7	33.9	-	7.5	41.4	81.1
Botwood (1972 Est.)	4,115	147.9	201.6	349.5	62.5	22.8	78.6	163.9	513.4
Brigus	746	5.6	-	5.6	8.3	-	21.6	29.9	35.5
Burgeo	2,226	40.3	3.0	43.3	18.2	16.1	94.0	128.3	171.6
Burin	2,586	50.2	2.8	53.0	22.1	14.9	34.0	71.0	124.0
Carbonear	4,732	135.0	6.1	141.1	52.5	34.0	-	86.5	227.6
Catalina	1,131	7.2	-	7.2	10.1	-	3.5	13.6	20.8
Change Islands	609	2.2	5.1	7.3	4.1	-	9.7	13.8	21.1
Channel-Port Aux Basques	5,942	173.7	26.0	199.7	70.1	19.1	86.1	175.3	375.0
Clarenville	2,193	73.7	1.5	75.2	45.3	-	22.7	68.0	143.2
Clark's Beach	877	6.3	0.8	7.1	9.9	-	19.5	29.4	36.5
Cupids	691	6.9	-	6.9	9.2	-	17.0	26.2	33.1
Deer Lake	4,421	131.4	31.2	162.6	65.6	31.7	63.4	160.7	323.3
Dunville	1,742	31.3	19.6	50.9	11.0	16.0	164.7	191.7	242.6
Elliston	551	3.2	0.1	3.3	5.4	-	1.0	6.4	9.7
Englee	1,050	7.9	11.2	19.1	10.5	-	-	10.5	29.6

Table 8-3(D):

Municipality	Population 1971	Total Taxes	Total Non-Tax Revenue	Total Local Revenue	Revenue Plus Road Grants	Water and Sewerage Subsidies	Special Grants	Total Grants	Total Disposable Revenue
Fogo	1,155	7.7	6.7	14.4	10.5	-	-	10.5	24.9
Fortune	2,164	64.3	12.3	76.6	23.3	19.0	18.5	60.8	137.4
Freshwater	1,562	26.2	0.1	26.3	13.6	7.2	24.0	44.8	71.1
Gander	7,748	423.9	23.5	447.4	93.0	-	9.9	102.9	550.3
Gaultois	509	0.7	0.1	0.8	1.7	-	-	1.7	2.5
Glenwood	979	18.6	1.0	19.6	8.4	11.2	39.4	59.0	78.6
Glovertown	1,915	33.3	4.5	37.8	14.5	15.2	74.5	104.2	142.0
Grand Bank	3,476	106.3	22.4	128.7	42.1	21.4	3.8	67.3	196.0
Grand Falls	7,677	536.6	49.6	586.2	74.6	19.0	11.9	105.5	691.7
Greenspond	449	2.0	0.8	2.8	4.6	-	6.1	10.7	13.5
Happy Valley	4,937	172.1	7.9	180.0	56.3	32.2	201.1	289.7	469.7
Hr. Breton	2,196	45.5	17.1	62.6	16.2	20.7	41.3	78.2	140.8
Hr. Grace	2,771	110.7	2.7	113.4	51.3	15.4	36.7	103.4	216.8
Hare Bay	1,485	7.0	3.6	10.6	11.1	-	-	11.1	21.7
Holyrood	1,282	12.2	0.1	12.3	15.6	-	19.0	34.6	46.9
Jerseyside	1,061	20.2	4.5	24.7	9.2	9.7	35.2	54.1	78.8
LaScie	1,255	16.7	1.5	18.2	11.3	-	8.0	19.3	37.5
Lamaline	553	4.2	0.9	5.1	6.3	-	-	6.3	11.4
Lawn	1,000	4.8	2.3	7.1	7.6	-	10.6	18.2	25.3
Lewisporte	3,175	139.6	25.4	165.0	65.2	36.3	29.2	130.7	295.7
Little Catalina	722	3.5	0.1	3.6	6.7	-	-	6.7	10.3
Lumsden (1970 Est.)	630	3.2	0.9	4.1	5.7	-	5.9	11.6	15.7
Main Brook (1970 Est.)	590	3.2	6.1	9.3	5.6	-	3.0	8.6	17.9
Marystown	4,960	131.8	0.5	132.3	65.9	13.4	122.0	201.3	333.6
Mount Pearl	7,211	296.2	6.6	302.8	65.7	26.6	111.1	203.4	506.2

Table 8-3 (E):

Municipality	Population 1971	Total Taxes	Total Non-Tax Revenue	Total Local Revenue	Revenue Plus Road Grants	Water and Sewerage Subsidies	Special Grants	Total Grants	Total Disposable Revenue
Musgrave Harbour	1,232	5.5	0.4	5.9	8.8	-	-	8.8	14.7
Newtown	513	10.6	0.5	11.1	5.0	7.0	7.0	19.0	30.1
Pasadena	964	11.9	7.4	19.3	13.4	-	34.1	47.5	66.8
Placentia	2,211	39.2	8.7	47.9	23.8	8.5	-	32.3	80.2
Point Leamington	940	3.9	-	3.9	8.3	-	8.5	16.8	20.7
Port Union	578	4.9	-	4.9	7.2	-	-	7.2	12.1
Pouch Cove	1,483	7.0	-	7.0	10.6	-	26.0	36.6	43.6
Ramea	1,208	16.2	2.7	18.9	12.4	6.0	2.6	21.0	39.9
Roberts Arm	1,044	16.3	4.1	20.4	8.4	8.6	19.2	36.2	56.6
Roddickton	1,239	6.0	1.9	7.9	9.7	-	7.4	17.1	25.0
South Brook	802	7.1	1.9	9.0	6.6	3.8	1.9	12.3	21.3
South River	554	4.9	0.5	5.4	7.0	-	3.8	10.8	16.2
Spaniard's Bay	1,764	10.4	0.4	10.8	12.1	-	21.2	33.3	44.1
St. Alban's	1,941	11.0	1.2	12.2	15.3	-	-	15.3	27.5
St. Anthony	2,593	78.2	1.3	79.5	24.3	36.2	163.6	224.1	303.6
St. George's	2,082	15.4	10.0	25.4	17.0	-	-	17.0	42.4
St. Lawrence	2,173	42.7	13.3	56.0	23.2	10.3	322.7	356.2	412.2
Springdale	3,224	112.7	5.9	118.6	41.0	36.8	1.2	79.0	197.6
Stephenville	7,770	246.0	106.2	352.2	63.8	30.6	55.6	150.0	502.2
Stephenville Crossing	2,129	33.0	1.8	34.8	18.9	12.8	-	31.7	66.5
Trepassey	1,443	15.4	5.0	20.4	18.0	-	2.5	20.5	40.9
Twillingate	1,437	22.4	1.6	24.0	22.5	-	6.8	29.3	53.3
Upper Island Cove	1,819	8.3	0.5	8.8	11.7	-	6.0	17.7	26.5
Wabana	5,421	28.2	5.7	33.9	34.2	3.0	99.3	136.5	170.4
Wesleyville	1,142	19.8	2.4	22.2	11.4	8.9	21.8	42.1	64.3

Table 8-3 (F):

Municipality	Population 1971	Total Taxes	Total Non-Tax Revenue	Total Local Revenue	Revenue Plus Road Grants	Water and Sewerage Subsidies	Special Grants	Total Grants	Total Disposable Revenue
Whitbourne	1,235	7.9	0.5	8.4	10.8	-	-	10.8	19.2
Windsor	6,644	213.0	31.9	244.9	58.6	33.1	126.6	218.3	463.2
Wintertown	794	17.3	1.0	18.3	6.3	12.1	53.2	71.6	89.9
Rural Districts									
Badger's Quay, etc.	1,457	34.1	13.3	47.4	13.9	14.7	34.1	62.7	110.1
Halfway Point, etc.	2,027	5.1	-	5.1	4.8	-	5.0	9.8	14.9
Milltown, etc.	1,233	5.4	0.3	5.7	9.2	-	7.0	16.2	21.9
Mount Carmel, etc.	674	3.8	-	3.8	8.9	-	3.0	11.9	15.7
Triton, etc.	1,002	4.6	1.5	6.1	7.8	-	9.0	16.8	22.9
Local Improvement Districts									
Buchans	454	25.2	0.9	26.1	15.8	-	33.4	49.2	75.3
Carmanville	839	2.5	6.0	8.5	5.3	-	1.0	6.3	14.8
Chapel Arm	659	1.1	-	1.1	5.2	-	4.0	9.2	10.3
Conception Bay South	7,500	-	0.2	0.2	18.8 (road only)	-	50.0	68.8	69.0
Cowhead	575	2.0	1.2	3.2	2.9	1.5	6.0	10.4	13.6
Dark Cove, etc.	2,586	13.0	6.6	19.6	16.4	8.9	54.4	79.7	99.3
Hant's Harbour	522	2.8	-	2.8	6.0	-	9.0	15.0	17.8
Heart's Content	599	4.4	-	4.4	4.0	2.5	7.5	14.0	18.4
Isle Aux Morte	1,157	3.7	-	3.7	8.0	-	13.5	21.5	25.2
Kippens	1,383	4.8	-	4.8	7.7	-	4.0	11.7	16.5
Labrador City	7,622	490.5	131.2	621.7	87.6	-	-	87.6	709.3
Norman's Cove	997	3.4	-	3.4	6.2	-	16.7	22.9	26.3
North West River	915	4.4	0.2	4.6	4.8	-	-	4.8	9.4

Table 8-3 (G):

Municipality	Population 1971	Total Taxes	Total Non-Tax Revenue	Total Local Revenue	Revenue Plus Road Grants	Water and Sewerage Subsidies	Special Grants	Total Grants	Total Disposable Revenue
Local Improvement Districts (cont'd.)									
Peterview	953	6.2	0.1	6.3	4.6	3.7	11.7	20.0	26.3
Port-au-Port West, etc.	640	1.5	-	1.5	3.1 (Rev. only)	-	5.5	8.6	10.1
Rose Blanche	719	-	-	-	1.8	-	3.0	4.8	4.8
Seal Cove	698	5.2	6.7	11.9	8.6	-	2.7	11.3	23.2
Wabush	3,387	224.5	7.1	213.6	56.6	26.9	-	83.5	315.1
Community Councils									
Cape St. George, etc.	1,595	1.4	-	1.4	4.1	-	2.0	6.1	7.5
Cartwright	753	1.8	1.0	2.8	4.6	-	3.0	7.6	10.4
Cormack	561	2.2	19.7	21.9	9.3	-	-	9.3	31.2
Fermeuse	503	3.1	-	3.1	5.3	-	5.3	10.6	13.7
Hampden	739	1.8	-	1.8	6.9	-	-	6.9	8.7
Harbour Main	652	1.8	1.1	2.9	5.7	-	1.6	7.3	10.2
Irishtown	502	1.9	-	1.9	2.8	-	-	2.8	4.7
King's Point	652	2.7	-	2.7	5.2	-	-	5.2	7.9
Little Bay	503	0.9	-	0.9	3.0	-	-	3.0	3.9
Lourdes	959	3.0	-	3.0	4.5	-	5.0	9.5	12.5
Lushes Bight	553	2.0	-	2.0	4.5	-	2.0	6.5	8.5
Meadows	516	2.3	0.1	2.4	4.2	-	-	4.2	6.6
Nain	708	1.0	1.5	2.5	2.7	-	8.0	10.7	13.2
Port Saunders	637	6.7	2.3	9.0	7.9	-	-	7.9	16.9
Portugal Cove South	371	1.4	-	1.4	2.7	-	-	2.7	4.1
Renews	567	1.8	-	1.8	5.5	-	3.0	8.5	10.3
St. Lunaire, etc.	825	1.5	-	1.5	4.5	-	1.5	6.0	7.5

Table 8-4 (A): Municipal and Provincial Contributions to Local Revenue By Municipal Category: 1971 Sample (Unweighted Averages)

Municipal Category	Total Tax	Total Local Revenue	Revenue & Road Grant	Water Subsidy	Sub-Total	Special Grant	Total Grant
	%	%	%	%	%	%	%
Sample Average	30.2	36.7	33.2	4.3	37.5	25.8	63.3
Unit Type							
Cities	65.4	73.0	5.2	1.6	6.8	20.3	27.0
Towns	34.7	40.7	28.4	5.5	33.9	25.4	59.3
Rural Districts	26.8	30.9	35.5	2.7	38.2	30.9	69.1
L.I.D's.	15.9	24.7	33.9	4.7	38.6	36.7	75.3
Communities	25.0	31.4	55.1	0.0	55.1	13.5	68.6
Population Size							
Less than 1,000	23.8	29.8	41.8	3.1	44.9	25.3	70.2
1,000 - 2,499	31.0	37.3	30.7	4.5	35.2	27.5	62.7
2,500 - 4,999	37.5	42.2	25.2	9.2	34.4	23.4	57.8
5,000 and above	44.5	55.8	16.6	2.8	19.4	24.8	44.2
Census Division							
Avalon Peninsula	28.6	31.2	33.0	2.7	35.7	33.1	68.8
Burin Peninsula	33.4	39.0	25.0	4.9	29.9	31.1	61.0
South Coast	28.7	32.6	32.6	6.5	39.1	28.3	67.4
St. George's Bay	33.5	40.6	33.3	4.9	38.2	21.1	59.4
Humber Valley	32.5	43.3	37.2	1.4	38.6	18.1	56.7
Central Newfoundland	40.6	44.3	12.2	9.5	21.7	33.9	55.7
Bonavista Bay	33.6	37.9	35.6	5.8	41.4	20.7	62.1
Notre Dame-Green Bays	28.9	39.7	40.2	3.0	43.2	17.1	60.3
Northern Peninsula	25.1	36.5	35.1	3.8	38.9	24.6	63.5
Labrador	18.2	33.5	38.4	6.1	44.5	22.0	66.5
Density Category							
Missing	29.2	29.6	23.7	10.2	33.9	36.6	70.4
Lowest	25.8	30.8	38.0	2.1	40.1	29.1	69.2
Low-Medium	28.3	34.5	32.1	5.3	37.4	28.1	65.5
High-Medium	36.1	44.9	31.5	5.0	36.5	18.5	55.1
Highest	66.3	72.7	0.4	0.0	0.4	26.9	27.3
Income Category							
Missing (41)	23.4	29.0	40.9	2.5	43.4	27.7	71.0
0 - $999 (19)	28.1	36.8	35.5	4.3	39.8	23.4	63.2
$1,000 - $1,299 (14)	32.5	37.1	29.6	6.0	75.4	27.3	62.9
$1,300 - $1,499 (13)	32.7	37.3	21.4	6.9	28.3	34.3	62.7
$1,500 - $1,799 (10)	40.7	45.9	25.5	6.7	32.2	21.8	54.1
$1,800 and above (11)	43.4	55.4	26.5	3.8	30.3	14.3	44.6

The proportion of disposable revenue obtained locally is highest in the cities (73%), considerably lower in towns (41%), and lower still in the communities (31%) and the improvement districts (25%). In this last group the two Labrador West districts are obvious exceptions. With respect to the four size groups, the averaged ratios describe a regular pattern: the larger the size group, the greater the proportion of disposable .revenue raised locally. Among the ten census divisions, the average ratio is highest in Central Newfoundland, Humber region, St. George's Bay, Burin Peninsula and Notre Dame-Green Bays; it is lowest on the Avalon Peninsula, South Coast and Labrador regions, and attains an average level in the Trinity-Bonavista Bay and Northern Peninsula areas. The proportion of revenues raised exclusively from local sources tends on the average to vary directly with both density and income.

The relative contribution of revenue and road grants is greatest in local government communities (55%), lower in the rural districts (36%), lower still in the improvement districts (34%), the towns (28%) and the cities (5%). The grants to the latter units as we have seen are not, in fact, revenue or road contributions. These proportions also vary directly with population size groups, although, as we should anticipate, they display a differing regional impact: they tend to be more important in the Northeast region, Labrador and the Humber Valley and less important in the Central and Burin regions. In other areas they tend to be at or near the sample average level of 33 per cent. These particular grants have a very uneven relationship with density groups and with income categories. There is some tendency for the municipalities to be slightly more dependent on revenue and road grants, but the average ratios reported for the two highest income groups are higher than for the middle income group.

Table 8-4 (B) Percentage Contribution of Provincial Grants by Municipal Category: 1971 Sample (Unweighted Averages)

Municipal Category		Revenue Plus Road Grant %	Water Subsidy %	Sub-Total %	Special Grant %
Sample Average	(112)	55.4	7.5	62.9	37.1
Unit Type					
Cities	(2)	19.4	5.9	25.3	74.8
Towns	(70)	52.1	10.0	62.1	37.9
Rural Districts	(5)	49.8	4.7	54.5	45.5
Local Improvement Districts	(19)	49.5	5.6	55.1	44.9
Communities	(16)	82.9	0.0	82.9	17.1
Population Size					
Less than 1,000	(48)	62.3	4.2	66.5	33.5
1,000 - 2,499	(39)	53.1	7.8	60.9	39.1
2,500 - 4,999	(14)	46.3	18.1	64.4	35.6
5,000 and above	(11)	44.3	8.0	52.3	47.7
Census Division					
Avalon Peninsula	(31)	45.4	4.4	54.6	28.8
Burin Peninsula	(6)	44.0	10.3	55.9	34.6
South Coast	(10)	39.2	11.1	60.8	26.6
St. George's Bay	(8)	31.1	11.6	58.9	22.4
Humber Valley	(9)	31.4	3.4	68.6	31.2
Central Newfoundland	(7)	50.2	14.8	49.8	28.1
Bonavista Bay	(12)	31.4	8.9	68.6	26.0
Notre Dame-Green Bays	(16)	25.2	8.0	74.7	23.0
Northern Peninsula	(7)	34.8	4.4	65.2	27.9
Labrador	(6)	30.6	7.2	69.4	35.6
Density Category					
Missing	(2)	33.4	16.5	49.9	50.2
Lowest	(33)	58.3	4.7	63.0	37.0
Low-Medium	(44)	52.6	8.2	60.8	39.3
High-Medium	(31)	59.4	9.7	69.1	31.0
Highest	(2)	28.3	0.0	28.3	71.7
Income Category					
Missing	(42)	60.2	3.5	63.7	36.3
0 - $999	(19)	60.5	6.7	67.2	32.8
$1,000 - $1,299	(14)	51.4	9.8	61.2	38.9
$1,300 - $1,499	(13)	38.3	12.0	50.3	49.8
$1,500 - $1,799	(12)	48.0	16.2	64.2	35.8
$1,800 and above	(12)	60.9	6.9	67.8	32.2

Table 8-4 (C): For Every $1.00 Raised Locally by Taxation, the Province Contributed the Following Amounts in Grants by Municipal Category: 1971 Sample (Unweighted Averages)

Municipal Category		Revenue Grant	Revenue Plus Road Grant	Water Subsidy	Sub-Total	Special Grant	Total
		$	$	$	$	$	$
Sample Average	(111)	0.75	1.22	0.15		1.25	2.63
Unit Type							
Cities	(2)	0.08	0.08	0.02	0.10	0.31	0.41
Towns	(67)	0.61	0.89	0.17	1.06	1.16	2.25
Rural Districts	(5)	0.87	1.42	0.09	1.51	1.21	2.71
L.I.D's.	(19)	0.79	1.42	0.21	1.63	1.89	3.52
Communities	(16)	1.36	2.49	0.00	2.49	0.97	3.47
Population Size							
Less than 1,000	(45)	1.06	1.85	0.14	1.99	1.46	3.46
1,000 - 2,499	(40)	0.69	1.02	0.15	1.17	1.30	2.50
2,500 - 4,999	(15)	0.38	0.52	0.22	0.74	0.81	1.55
5,000 and above	(11)	0.19	0.33	0.67	1.00	0.75	1.14
Census Division							
Avalon Peninsula	(30)	0.79	1.34	0.11	1.45	1.68	3.15
Burin Peninsula	(6)	0.61	0.83	0.14	0.97	1.90	2.87
South Coast	(10)	0.55	1.02	0.19	1.21	0.94	2.15
St. George's Bay	(8)	0.65	1.30	0.10	1.40	1.01	2.42
Humber Valley	(9)	1.04	1.63	0.03	1.66	0.66	2.32
Central Newfoundland	(7)	0.25	0.42	0.49	0.91	1.56	2.46
Bonavista Bay	(12)	0.76	1.06	0.22	1.28	0.88	2.17
Notre Dame-Green Bays	(17)	0.95	1.42	0.10	1.52	0.81	2.41
Northern Peninsula	(6)	0.94	1.48	0.20	1.68	1.22	2.90
Labrador	(6)	0.55	1.11	0.03	1.14	1.81	2.95
Density Category							
Missing	(2)	0.66	0.93	0.27	1.20	1.52	2.72
Lowest	(33)	0.90	1.66	0.10	1.76	1.43	3.19
Low-Medium	(43)	0.76	1.17	0.21	1.38	1.49	2.88
High-Medium	(32)	0.62	0.91	0.11	1.02	0.74	1.78
Highest	(1)	0.01	0.01	0.00	0.01	0.41	0.41
Income Category							
Missing	(41)	1.04	1.86	0.12	1.98	1.45	3.43
0 - $999	(19)	0.85	1.34	0.14	1.48	1.30	2.78
$1,000 - $1,299	(14)	0.54	0.88	0.22	1.10	1.35	2.45
$1,300 - $1,499	(14)	0.50	0.67	0.25	0.92	1.61	2.54
$1,500 - $1,799	(11)	0.52	0.66	0.17	0.83	0.65	1.48
$1,800 and above	(12)	0.37	0.44	0.02	0.46	0.47	0.94

Municipal dependency on water and sewerage subsidies tends to be highest on the average in towns and local improvement districts, in the municipalities between 2,000 and 5,000 in population, in central Newfoundland, the South Coast and the Labrador regions, in the low-medium density category, and in the middle income municipalities. It tends to be lowest in Corner Brook (St. John's receives no water subsidy), in units with populations above 5,000, in the Humber and Avalon regions, in the lowest density units, and in the municipalities with the highest income.

Special grants are of greater importance in local improvement and rural districts (37-31%) and towns (25%), and below average in the cities (20%) and local government communities (14%). (This last finding is of interest, since the city special grants constitute the cost to the Province of the city fire and police services.) It is also apparent that the special grants favour slightly (28%) the municipalities between 1,000 and 2,500, but have an approximately equal impact, when measured in this manner, upon the remaining three size groups. The special grants in 1971 made the following fiscal contributions to municipal budgets within regions: Central region (34%); Avalon region (33%); Burin region, (31%); South Coast region, (28%); Northern region (25%); Labrador region, (22%); St. George's Bay region, (21%); Trinity-Bonavista region, (21%); Humber region, (18%); and Notre Dame-Green Bay region, (17%). It is apparent that special grants have a lower relative impact on high-medium density units than those in the lowest, low-medium and highest density categories. It is clear as well that special grants were received in 1971 to a much greater degree in low and medium income communities than in the higher income municipalities.

The last column in Table 8-4(A) indicates the net cumulative effect of all grants allocated during 1971. It shows that 63.3 per cent of average disposable revenue in all municipalities included in the sample originated with the Government of Newfoundland. Local dependence upon grants was highest in the improvement districts (75%), but not in the two Labrador West units included in the L.I.D. sub-sample. It was high as well in the rural districts and communities (69%), somewhat lower in the towns (59%) and lowest in the two cities (27%). Although there are a great many exceptions in budgetary reality, there is a clear average tendency for local dependence to vary inversely with population size. Readers should observe, however, that a major difference exists in this matter as regards the ratios of the non-discretionary ("sub-total" column) and the discretionary or special grants. The generally inverse pattern observed in the behaviour of the former contributions is matched by the generally neutral special grant ratios. The effect of this relationship is examined more fully below.

The regional pattern of total grant allocation in relation to total disposable fiscal resources (ranked from greater to lesser reliance upon grants) is as follows: Avalon region, (69%); South Coast region, (67%); Labrador region, (67%); Northern region, (64%); Trinity-Bonavista region, (62%); Burin region, (61%); Notre-Dame-Green Bay region (60%); St. George's Bay region, (59%); Humber region, (57%); and Central region (56%). Again, the relation between special and all other grants as it influences the regional impact of total grants is of considerable interest. The following deviation patterns from the sample averages emerge when the ratios are examined:

Region	(1) Regular Grants	(2) Special Grants	(3) Total Grants
1. Avalon Peninsula	− 1.8	+ 7.3	+ 5.5
2. Burin Peninsula	− 7.6	+ 5.3	− 2.3
3. South Coast	+ 1.6	+ 2.5	+ 4.1
4. St. George's Bay	+ 0.7	− 4.7	− 3.9
5. Humber Valley	+ 1.1	− 7.7	− 6.6
6. Central Newfoundland	− 15.8	+ 8.1	− 7.6
7. Trinity-Bonavista Bays	+ 3.9	− 5.1	− 1.2
8. Notre Dame-Green Bays	+ 5.7	− 8.7	− 3.0
9. Northern Peninsula	+ 1.4	− 1.2	+ 0.2
10. Labrador	+ 7.0	− 3.8	+ 3.2
Total deviation from all-Sample Average	46.6	54.4	37.6

This comparison shows conclusively that in regional terms, the municipalities which were more reliant upon the regular grants tended to be rewarded negatively when the special grants were allocated. The single exception to this generalization is found in the South Coast region where the proportions of disposable revenue obtained from both the regular and the special contributions were by small amounts above the sample average. The general pattern is perhaps best illustrated in the case of the Central region, where the equivalent ratio in relation to regular grants is −15.8 but for special grants is +8.1. Hence, the budgetary impact of the regular grants in 1971 was countervailed to some extent by the special allocations. The general effect of this inter-grant relationship is indicated by the sum of the positive and negative ratio deviations found at the bottom of the previous table. Greater overall deviation is apparent among the special than the regular grants, but since the two grant components in all regions but one play against each other, the total range of deviation among total grants is lower than for either the regular or the special components.

Lastly, with reference to Table 8-4 (A), it may be noted that there exists an inverse but somewhat uneven relationship between average density and income, on the one hand, and reliance upon grants on the other.

The remaining two sections of Table 8-4 illustrate the relationships described above using different ratios. Part B merely indicates the breakdown configuration of the proportional contribution of the standard grant categories. Since these ratios are not, as in Part A of the Table, related to local revenue collections, the inferences to be drawn from them must be carefully qualified. Part C, by way of contrast, is a much more useful table for comparative purposes since the grant levels are indexed and expressed simply in terms of each dollar of locally raised taxation. The patterns revealed in Part C of the table are consistent with the relationships displayed in Part A. *The Commission cautions, however, that all of these generalizations based upon averaged data should be interpreted with caution and in the context of the more basic statistical analysis provided in Annex B, below. Variations are so extreme in all aspects of Newfoundland's municipal finance that there are very few generalizations which have a real as distinct from a purely computational validity.*

(d) *Grant Interaction Patterns*

The differential relationship between regular (i.e., revenue grants, road contributions and water-sewerage subsidies) and special grants as they have an impact upon comparative tax effort and regional municipal budgets in Newfoundland was suggested above. The Commission now turns its attention to this core relationship as it relates to variations in the size of municipalities and of their local revenue yields. This is one of the key structural aspects of the present grant system to be understood concretely. We have already noted that in a correlational, abstract sense there is virtually no coherent statistical relationship between grants — whether considered separately or in total — and population. But what are the actual implications of that finding for the day-to-day budgetary realities confronting our local authorities? In order to answer this difficult question, the Commission undertood a comprehensive ranking exercise in an attempt to uncover what differential impacts, if any, the regular and special grants have on municipalities of different sizes. And instead of the four very broad population groups used in the computer sorting programmes, a more elaborate, eight-part category system was used in an effort to obtain more realistic results. In this exercise, therefore, we deal with the 1971 audited budgets of 111 *non-city* municipalities sorted into eight population groups. There are numerous ways in which the results of this study could be described, but we have opted for a direct and simple presentation. The *actual dollar amounts allocated to the eight municipal size groups were calculated for the two basic grant categories*. The ratios which resulted when these amounts were related to total local revenue and to total grants could then be compared with the population proportion contained in each and all size groups. Table 8-5, which results from those calculations, summarizes the association of the two main grant components with population and municipal revenue collections:

Table 8-5: Grant Impact and Population Size, Non-City Municipalities, 1971 Municipal Financial Survey

Size Group A. Grants and Population	(1) Population %	(2) No. Municipal Units	(3) Regular Grant %	(4) (3)-(1)	(5) Special Grant %	(6) (5)-(1)
1. Under 999	15.8	48	12.2	−3.6	12.3	−3.5
2. 1,000 - 1,999	19.7	30	16.3	−3.4	21.5	+1.8
3. 2,000 - 2,999	15.8	14	18.4	+2.6	28.4	+12.6
4. 3,000 - 3,999	8.2	5	13.4	+5.2	2.1	−6.1
5. 4,000 - 4,999	13.2	6	15.5	+2.3	17.3	+4.1
6. 5,000 - 5,999	5.6	2	4.4	−1.2	6.8	+1.2
7. 6,000 - 6,999	3.2	1	3.3	+0.1	4.6	+1.4
8. 7,000 and over	18.5	5	16.5	−2.0	7.0	−11.5
—	100.0	111	100.0	±20.4	100.0	±42.2

B. Grants and Local Revenue	(1) Total Local Revenue %	(2) No. Municipal Units	(3) Regular Grant %	(4) (3)-(1)	(5) Special Grant %	(6) (5)-(1)
1. Under 999	5.1	48	12.2	+7.1	12.3	+7.2
2. 1,000 - 1,999	8.5	30	16.3	+7.8	21.5	+13.0
3. 2,000 - 2,999	14.6	14	18.4	+3.8	28.4	+13.8
4. 3,000 - 3,999	11.8	5	13.4	+1.6	2.1	−9.7
5. 4,000 - 4,999	12.6	6	15.5	+2.9	17.3	+4.7
6. 5,000 - 5,999	3.9	2	4.4	+0.5	6.8	+2.9
7. 6,000 - 6,999	4.2	1	3.3	−0.9	4.6	+0.4
8. 7,000 - and over	39.3	5	16.5	−22.8	7.0	−32.3
	100.0	111	100.0	±47.4	100.0	±84.0

An inspection of columns (3) and (5) will indicate that the two grant elements distribute different proportions of total dollar allocations to the municipalities included in the eight size categories. In the case of regular grants, the largest single ratio is found in group 3. It is worth emphasising that 14 municipalities — just over 12 per cent of the entire sample — in the four highest size groups (4,000 and above) received nearly 40 per cent of all regular grants in 1971. By contrast, the 78 local authorities — 70 per cent of the sample — in the two lowest size groups (all units below 2,000) received only 29 per cent of all the regular grants that were distributed.

The relationship between the regular grants and population becomes apparent when the grant ratios are subtracted from the population ratios. The result is found in Part A column (4) of the table. It is clear that from a strict numerical standpoint, the regular grants in 1971 discriminated in favour of local authorities within the population range of 2,000-4,999, and against both the smaller and larger communities in the sample. The degree of negative discrimination, however, was more pronounced in the case of the smaller than of the larger municipalities. It is also clear that the degree of variation found in the regular grant — population association is at the very low level of ±20.4 per cent.

Special grants, by contrast, have a sample-wide variation more than twice (±42.2%) that obtaining in the case of regular contributions. Across all size groups those discretionary allocations thus discriminate in a more uneven fashion. It is obvious that the special and regular grants have a different relationship with municipal population levels. From a strict numerical standpoint, the former grants discriminate strongly in favour of the 44 municipalities between 1,000-3,000 (especially the 14 units between 2,000 and 3,000); in a lesser degree they also show a positive bias toward the nine local authorities in the size range from 4,000 to 7,000. Unlike the regular grants, there is a tendency for special assistance allocations to have a much stronger negative impact on the five largest municipalities than upon the 48 smallest units in the sample, the ratio differentials in these instances being −11.5 and −3.5 per cent respectively. Hence, the general conclusion to be drawn is as follows:

Negative Reinforcement among Regular and Special Grants:

- 48 municipalities under 1,000 in population (−7.1) Total population: 15.8 per cent.
- 5 municipalities over 7,000 (−13.5) Total population: 18.5 per cent.

Positive Reinforcement among Regular and Special Grants:

- 14 municipalities (2,000-3,000) (+15.2) Total population: 15.8 per cent.
- 6 municipalities (4,000-5,000) (+6.4) Total population: 13.2 per cent.
- 1 municipality (6,000-7,000) (+1.5) Total population: 3.2 per cent.

In the three remaining groups there are three contrasting impact subpatterns. Among the 30 units between 1,000 and 2,000 the negative bias in the regular grant is countervailed, but not completely, by the special grant, thus leaving a net bias of −1.6 per cent. This group contains 19.7 per cent of the sample's population. In the case of the two municipalities in the 5,000-6,000 range, there is a full cancellation of negative and positive impacts, but this group contains only 5.6 per cent of the total population. Finally, for the five municipalities in the 3,000-4,000 range a positive regular grant impact is completely neutralized by a strongly-negative special grant bias, thus leaving a net result of −0.9 per cent. The overall result is as follows:

Relationship between Regular and Special Grants	Number of Municipalities	Per cent of Population	Cumulative Ratio Differences
1. Negative Reinforcement	53	34.3	−20.6
2. Positive Reinforcement	21	32.2	+23.1
3. Countervailing Impact	37	33.5	−2.5

As a result of this strong negative reinforcement grant impact pattern, nearly one-half the municipalities in Newfoundland received support in 1971 below their entitlement in terms of population, while a much smaller proportion received above average grants in relation to their population. Among the former municipalities, the special grants discriminated most heavily against the largest towns; among the latter units they favoured in a dramatic manner the 14 local authorities between 2,000 and 3,000. Among the towns in this category receiving very large special per capita grants were St. Lawrence ($145.50), St. Anthony ($63.11), Burgeo ($42.05), and Dark Cove-Middle Brook-Gambo ($21.00). Finally, in the 37 municipalities where the regular and special grants tended to neutralize each other, the effect, although slightly negative, left the total contributions roughly proportional to group population. All three basic allocation patterns affected approximately equal proportions of the total municipal population.

The impact of grants in relation to local revenue collections is also made explicit in Part B of Table 8-5. As in the case of population, the amount of variation across all size groups is much greater in the case of special grants (±84.0) than of regular grants (±47.4). In a general sense, therefore, although they very nearly equal regular grants in actual dollar aggregate, special grants do have considerably greater budgetary impact because of their distribution pattern. It is worth emphasizing, however, that in all instances much of the cause of this latter phenomenon is due to the consistently heavy negative special grant impact on both the population and revenue ratios of the five largest municipalities in the upper size group of the sample.

An examination of the differences in column (4) will suggest that whereas the regular grants discriminate negatively from a population standpoint in respect of the two smallest size categories, they have a positive bias when related to local revenue collections. This effect is produced in consequence of the inverse graduation in the revenue grant formula. And while the negative bias of regular grants from a population standpoint in respect of the largest towns is negligible (−2.0%), the equivalent ratio when these grants are related to local revenue yield increases dramatically in the same direction (−22.8%). *The co-existence of these two contrasting impact patterns relative to the largest town budgets is of critical significance.*

When the differences in column (6) of the table are examined, the impact of special grants, considered both in population and local revenue terms, becomes evident. From a population standpoint, the impact of these grants was seen to be slight (−3.5 and +1.8%) in relation to the municipalities within the two smallest size categories. From a revenue standpoint, however, the special grant exerts a more strongly positive impact on these municipalities (+ 7.2 and + 13.0). Moving to the other extreme, it can be seen that an already strongly negative special grant bias (− 11.5%) toward the largest towns in population terms is much more powerfully augmented by a similar discrimination in respect of local revenue collections (− 32.3). This effect substantially reinforces the pattern prevailing in the case of the revenue grant impact noted above. (The associations described in the last two paragraphs, it should be remembered, arise because of the extreme disparities in Newfoundland between demographic and local revenue phenomena. In this non-city sample, for instance, 78 municipalities with 36 per cent of the population in the two lowest size groups succeeded in raising only 14 per cent of total local revenue in 1971. By way of contrast, the six units with populations of 6,000 or over, containing only 18 per cent of the population, collected nearly 40 per cent of the revenue raised locally. But the 27 local authorities with populations between 2,000 and 6,000, containing 43 per cent of the population also succeeded in raising 43 per cent of total revenue. It is important to keep in mind this three-part pattern.)

It remains to describe the interaction among the regular and special grants as they relate to local revenue activity among municipalities of different sizes. A glance at columns (4) and (6) in Part B of Table 8-5, will indicate that the three-part pattern noted above in the relationship with population (i.e., negative reinforcement, positive reinforcement and countervailing impact) has a different emphasis when the focus is shifted from population to local revenue yields. In this case we see the following pattern:

Relationship between Regular and Special Grants	**Number of Municipalities**	**Per cent of Local Revenue**	**Cumulative Ratio Differences**
1. Positive Reinforcement	100	44.7	+ 63.7
2. Negative Reinforcement	5	39.3	− 55.1
3. Countervailing Impact	6	16.0	− 8.6

The general result of the inquiry, at least as it is concerned with the interaction among the two main grant components, is detailed in Table 8-6:

Table 8-6: Grant Impact in Relation to Municipal Population and Total Local Revenue Yield: A Summary

A. Population	**Negative Reinforcement**	**Positive Reinforcement**	**Countervailing Impact**	
% of Municipalities	47.7	18.9	33.4	100.0
% of Population	34.3	32.2	33.5	100.0
% of Local Revenue	44.4	31.4	24.2	100.0
Cumulative Ratio Differences	− 20.6	+ 23.1	− 2.5	0
B. Local Revenue				
% of Municipalities	4.5	90.0	5.5	100.0
% of Population	18.5	70.1	11.4	100.0
% of Local Revenue	39.3	44.7	16.0	100.0
Cumulative Ratio Differences	− 55.1	+ 63.7	− 8.6	0

There are many dimensions to any system of municipal grants. In one as complex as that currently in use in Newfoundland, a great many different aspects or effects can be specified. Earlier in this chapter we examined the interaction of the regular and special grants when viewed in terms of their *regional allocation across the Province and of their relation to local tax effort. Here we have used another method of comparison in order to examine their impacts in relation to levels of population and of local revenue yields. It is obvious that the nature of their complex relationship varies from context to context.* The general countervalency found to be present in the regional grant allocation pattern is less obviously present in the case of population and local revenue levels. In these latter respects, both the regular and special grants tend to reinforce each other either positively or negatively to a much greater extent than in the regional distribution context. Negative reinforcement among the grants from the standpoint of their population impact is quite strong among the generally smaller and the very largest municipalities: as we have seen, it affects nearly half the organized units, more than a third of the sample's population, raising almost 45 per cent of all local revenue. From the standpoint of local revenue, negative reinforcement has the most powerful impact among the five largest towns in the Province, containing less than 20 per cent of the population but actually collecting nearly double that proportion of local revenue.

The pattern of positive reinforcement among the two grant components, on the other hand, is generally confined to the middle-sized municipal units, except that in the case of the local revenue dimension, it extends as well to the smallest municipalities in the sample. Along this dimension, positive grant reinforcement affects 90 per cent of our municipalities, containing 70 per cent of the population; but these units raise only 45 per cent of all local revenue. In terms of population, the positive interaction of grants affects nearly 20 per cent of the municipalities in the sample with 32 per cent of its population; these authorities raise about the same proportion of local revenue. The countervailing or self-cancelling impact of grants tends to be more apparent in the middle-sized municipalities; it is evidently more important in bringing grants into parity with population entitlement than with local revenue yield ratios. In the former case it affects approximately one-third of our municipalities with an equivalent proportion of the population who in 1971 raised one-quarter of total local revenue. In the latter case, its impact is felt only by a small number of middle-sized units with above-average revenue collections.

Since there is need for great care in dealing with averages and other fiscal ratios, the Commission presents in the Statistical Annex relating to this chapter (Annex B, below), a cautionary note on the interpretation of statistical material. Following that presentation, it develops further its study of grant impact, with emphasis upon grant size distribution patterns, and the effect of provincial contributions on towns using the real property tax. The entire financial study concludes with an examination of exceptional fiscal patterns in Newfoundland's municipalities, as they are revealed by reference to seven primary tests or criteria of budgetary "normalcy" adopted by the Commission.

4. Representations Made to the Commission

Many municipal leaders and one group made useful representations concerning the present grant structure. Most of these submissions dealt with specific elements of the existing grant programme. Naturally, there was widespread dissatisfaction with the current arrangements under which the Province provides financial assistance to its municipalities.

The revenue grant was held by a few leaders to be inadequate both because of its formula and due to the level at which it now operates. Discussion on this matter tended to conclude with agreement that the grant should be increased, and that particularly large additions should be made immediately available to smaller municipalities. The representatives of some larger communities, on the other hand, requested that the present upper limit of $100,000 should be removed. *Except in one instance, no person questioned the principle of continuing a basic, unconditional grant to municipalities grounded upon the level of their local tax collections.*

A great many detailed criticisms were directed at the inherent limitations of the present road grant. Virtually every representative who dealt with these grants thought they were inadequate. The most frequently mentioned solution was to base the road grant on mileage rather than population, and to provide a larger, separate grant for snow clearing. A number of smaller communities wanted to transfer all responsibility for all of their roads to the Department of Transportation and Communication. Various municipalities complained about the latter Department: it was considered to be unco-operative, too slow to respond to requests for assistance, unfair in the rates it charged for its equipment, and wrong in the way it classified some roads in the Province. (For details of current policy in this sector see Chapter 14, below).

The water and sewerage subsidy and the special grant received their full share of critical comment. There was wide agreement that these programmes were essential in relation to municipal need, and that they should for this reason be continued. But a strong dissatisfaction was expressed on numerous occasions regarding their discretionary features, the absence of known controlling formulas, the "political" aspects of their administration, and the consequent absence of equity presumed to exist in their application. A number of critical representations were also received concerning the various capital grants, especially those relating to road paving, recreation facilities and equipment purchases. Some leaders criticized the very principle of cost-sharing as it is applied in these latter programmes. Other criticisms were directed toward the initial grant, the delay in receiving the road grant, and the prevailing lack of knowledge regarding the availability of special grants.

Many of these representations, when they departed from specifics, contained either an implicit or an explicit plea for the revision of the entire grant structure. Grants, it was suggested, should be equitable, in relation to local fiscal capacity, should reflect basic municipal need, and should wherever possible be based upon known methods of determination. The general tenor of these comments suggested the need for a clarification of basic goals, the adoption of more clear-cut support programmes, and a more systematic administration of these very important intergovernmental fiscal arrangements. But virtually no comprehensive proposals were received which indicated to the Commission how these objectives could best be achieved in practice. Typical of the prevailing generality in regard to basic questions of financial reform is an excerpt from the submission of one Newfoundland town:

> "Grants to municipalities by the provincial government which have a definite basis for determination, such as revenue grants, road grants, and paving grants (on a fixed cost-sharing basis) are reasonably fair and equitable.
>
> Grants which have no defined basis for determination such as special assistance grants, water and sewerage subsidies and snow clearing grants are very rarely, if ever, fair and equitable and quite frankly, should be discontinued in their present form. Special grants to various municipalities for a multitude of reasons ranging from justifiable need to outright patronage have been clearly evident in the past.
>
> This ad hoc form of making special grants should be eliminated and the amounts budgeted for such purposes should be absorbed into the revenue grant structure and made on a more equitable and reasonable basis. This could be achieved by means of establishing a basic annual grant to each municipality with the remainder of the revenue grant based on tax collections.
>
> The practice of making special grants to municipalities with a very limited tax structure in order to meet everyday operating expenditures should be eliminated completely. Any area that is largely dependent on special government grants for this purpose should never have been incorporated in the first instance, or, if its economic base is sufficient to support a larger tax structure, that municipality should be compelled to broaden its tax base.
>
> It is extremely degrading and should be absolutely unnecessary for any council members to have to travel to St. John's with their hand(s) out seeking special forms of assistance.
>
> All government assistance should be in the form of clearly defined grants setting forth the various conditions which must be met in in order to qualify. This would enable all municipalities in the preparation of their annual budgets to be fully aware of what assistance is available and whether or not they are eligible for the same."

Apart from the suggestion just cited, which contemplated an absorption of special grants into the revenue grant structure, the Commission received only one proposal with strategic implications for the municipal grant system. That recommendation was made by the Newfoundland and Labrador Federation of Municipalities in the following manner:

> "(a) With regard to a system of municipal grants it is recommended:
>
> (i) The Commission undertake to devise a grant base, with a predictable yield over a three to four year horizon, by ear-marking one or more provincial tax sources. (eg. alcohol and tobacco taxes), the proceeds of which would then be used exclusively for municipal purposes.
>
> (ii) The Commission undertake the design of a grant structure such that the conditions of application have an objective, rather than subjective, foundation. Disbursal of grants should give due regard to geography and function to be supported. As a first approximation such a grant fund is recommended to be allocated on a broad regional basis, with the expectation that more specific

and functional regions will develop over time through the mechanism as previously mentioned.

(iii) This Municipal Grant Fund be comprised of three components:

One: An unconditional component to be allotted on a per capita basis to each municipality.

Two: A conditional component related to the amount of revenue raised locally.

Three: A provincially discretional component, comprised of the residual, if any, from 'one' and 'two', together with a specified proportion of Federal-Provincial equalization grants plus other Federal transfers as may be ear-marked for municipal purposes from time to time.

(b) It is recommended that the Commission consider the equity of the Provincial Government, on behalf of municipalities, levying an annual poll tax on all persons with a specified minimum income and who are not subject to any other municipal fee or property tax. (Reference pages 16 and 17 of main body of brief)

(c) It is recommended that the Commission consider the potential and feasibility of the Provincial Government undertaking a tax levy either on quarry operators or by a tonnage tax on vehicles using quarries, to be rebated to municipalities, by way of a Municipal Grant Fund.

(d) It is recommended that the Commission consider the equity of establishing a set of objective criteria for municipal licencing of classes and types of commercial and industrial operations which are heavily reliant on equipment rather than real property, and hence presently avoid what may be considered a 'fair share' of business tax."

(Covering Memorandum to the Federation's Brief, pp. 6-8)

5. Summary of Findings

Newfoundland's unique structure of financial support on behalf of its municipalities presented the Commission with a formidable challenge. During the course of the inquiry we encountered no groups or individuals who really understood its pattern of central dynamics and the full range of its fiscal consequences. Only one group offered its proposals for an alternative to the present formulas and practices. Before proceeding to an examination of this matter, we now summarize the essential characteristics of the existing grant structure:

(1) Arrangements now prevailing are a mix of old and new influences. The origins of revenue and road grants can be found in the initial efforts directed toward the development of local authorities more than four decades ago; the new elements are a product of greater affluence, the growth of municipalities, higher local expectations, and a more responsive posture of provincial leaders toward the strong and comparatively late emergence of local service demands in Newfoundland's many smaller communities.

(2) As a consequence of this *ad hoc* growth pattern, the grant system has evolved in pragmatic fashion into an extremely complex structure containing at least six major components whose internal inter-

actions and distributional consequences are both difficult to discover and to comprehend.

(3) This condition is due in part to present methods of municipal accounting and auditing. But it also is the consequence of an inadequate system of departmental record-keeping and fiscal reporting.

(4) A significant feature of the recent development of municipal grants has been the gradual departure from a policy of support based exclusively upon known formulas (e.g., the revenue and road grants), to assistance provided as the consequence of governmental discretionary decisions in respect of subsidies, special allocations, capital programmes involving some degree of cost-sharing, and various "emergency" support activities aimed at moderating local *current* budgetary problems. This latter development is a comparatively recent phenomenon. But at least since 1965 its financial weight in the overall grant system has come to assume a primary significance.

(5) There is no real equivalent in other Canadian provinces to any of the main elements of Newfoundland's system of financial support for its municipalities.

(6) The main support instrument which is non-discretionary takes the form of a revenue grant. This method of assistance is most beneficial to the smaller municipalities. Its relative impact on local budgets diminishes, however, as the level of local tax yields increases toward the maximum payment of $100,000. This grant is not suitable for the needs of the middle-range and the larger municipalities, since grant yields, as we have shown, are insensitive to either local need or to local tax effort. The main advantage of this grant is that it is unconditional in nature.

(7) The road grant is of much smaller fiscal importance except for the large number of very small local authorities. Although technically called a road grant, its proceeds can be used for general purposes. It, too, is an unconditional grant. Its per capita formula distributes resources in terms of local population, not in terms of local road and snow-clearing requirements. There is no correlation between road mileage and the size of the grant.

(8) The first of the discretionary grants is the water and sewerage subsidy system inaugurated in Windsor nearly two decades ago. The discretionary element is confined to the initial decision by the Province to provide the subsidy support. Once that decision is reached and the municipality's debentures are sold, the subsidy becomes a regular grant which apparently will be made over the life of the debentures. The formula upon which this programme supposedly operates has never had any realistic foundation.

(9) Revenue grants, road grants and subsidies provide the main regular grants available to municipalities. Taken together, they possess the following characteristics:

(a) Up to the approximate level of 4,500 inhabitants, they tend in per capita terms, on the average, to increase with population, but we have identified the pattern of exceptions to that rule, in which many small ones receive limited support. (See Annex B-5, below).

(b) Although total revenues (upon which the revenue grant in part is based) tend to rise with local population, there are many exceptions to this rule. (See Annex B-5, below).

(c) There is a very poor fit between the yield of all regular grants and the personal income per capita of local communities. The revenue and road components have a moderate correlation with income; the water and sewerage subsidies have none whatsoever. The larger municipalities are particularly affected by this condition in a negative fashion and a surprisingly large number of medium and smaller communities are affected positively. There is clearly no strong system-wide equalization pattern which characterizes regular grants, though some water and sewerage subsidy arrangements do push up the regular grant levels to above-average levels for some low income communities.

(d) Although there is some general but weak tendency for the municipalities more dependent on social assistance payments to receive lower regular grants, and *vice versa,* we have identified the pattern of exceptions to this rule. (See Annex B-5, below).

(e) There is some tendency for the regular grants to be allocated in direct proportion to local tax effort. But here, too, we have discovered a pattern containing many exceptions. The revenue and road grants, in particular, appear to be often insensitive to income.

(f) The general conclusion is that the regular grants have a very favourable impact on a selected range of well-developed municipalities. These communities have been discovered in all population size groups and in all income groups. Collectively, they have the most atypical budgets by the standards we have adopted for use in making comparisons. Almost universally, these above-average recipients of regular grants have high service levels.

(g) There are a few underdeveloped communities, some of them of substantial size, where the regular grants discriminate in a negative fashion similar to that found in respect of the larger towns.

(10) Special grants are distributed in an *ad hoc* manner for a variety of purposes and are applied by municipalities for both capital and current budgetary purposes. It is said that they are necessary in order to provide a measure of equalization *vis à vis* the revenue grant. That they do so in particular cases is clear; but considered as a whole, they have absolutely no coherent *inverse* relation with income. They certainly have little systematic association with the size of local communities and, taken together with regular grants, have a slight tendency in the anti-equalization direction.

(11) The general dependency of municipalities on grants of all types is now quite substantial and is increasing rapidly. Some local authorities are now dependent upon the Province for support which attains the 80 per cent level. As a general rule the level of dependency varies inversely with the size of municipalities, but we have located numerous exceptions to this rule as well.

The general conclusion is that the pattern of provincial support has had an extremely broad and somewhat random impact across all population, income, density and locational groups. But we have noted significant exceptional patterns to all the general regularities which appear to characterize the grant system as a whole. It seems clear that any alternative to present grant arrangements will have to take full account of these extremely variable conditions. (For further detail, see Statistical Annex B below, especially sections B-1, 5, 6 and 7.)

6. An Alternative Proposal for Financial Support of Municipalities: General Principles

As we indicated in Chapter 6, the Commission has concluded that the present system of grants to municipalities should be replaced by an entirely different method of fiscal support. A basic rationale for this proposal was also provided. There is no need, therefore, at this juncture to reiterate the argument on fundamental issues. Beyond that level, however, certain additional preliminary observations are necessary.

(a) *The Equity Principle: Local Needs, Tax Capacity and Fiscal Equalization*

Any system of grants to local authorities should serve three basic purposes. First, it should provide some form of general compensation to all municipalities in an *equitable* manner for the inherent fiscal limitations associated with the main tax instruments available to them, namely, the real property tax, the supplementary business levy, and the various flat-rate user charges and municipal or community service fees. Second, it should provide some compensation to the *developed* municipalities that are shown by objective standards of comparison to be low on the scale of relative fiscal capacity. Third, it should in a selected and narrow range of functional areas enable the Province to assist municipalities to achieve a common standard with respect to certain essential local services. In accordance with these three purposes, we have earlier said that there should be *revenue deficiency* grants, *equalization* and *stimulation* grants.

The principle of equity in allocating provincial assistance to municipalities is of primary importance. Its application in the case of the equalization and stimulation grants is clear and requires little comment. It is equitable, for example, that some element of redistribution should enter into provincial-municipal fiscal policy, just as it is essential that equalization remains a significant feature of federal-provincial finance. Communities with a full range of service responsibility should be awarded some added degree of assistance, that is to say, when their capacity to raise local revenue by taxation is limited. (They must, of course, exercise whatever tax capacity they do have, commensurate with their service demands.) But that assistance should be awarded only in accordance with an established, objective and generally known formula.

The principle of equity is also applied with little difficulty in the case of stimulation grants. In other provinces, where local governments have a broader service responsibility, these grants typically are conditional in nature and extend to both the current and capital aspects of municipal budgetary operations. In Newfoundland, where service functions are restricted to those of direct benefit to place and property, these stimulation grants should be confined to conditional capital grants involving some measure of cost-sharing in the areas of equipment purchases, major recreation facilities, street paving and incinerator or other major capital applications. *The Commission believes that the practice of cost-sharing should be maintained in these capital grants.* It does not consider, however, that the principle of equity dictates the need for the Province to provide stimulation grants for local current operations of any kind. In what sense is the equity principle served, for instance, when all tax payers in the Province are asked to support a common standard of local garbage collection services? (We should perhaps indicate that this proposal of stimulation grants confined to capital projects is very close to what already exists in practice. But we hasten to add that this practice is quite at variance with that found in other jurisdictions, where capital assistance in respect of the specified projects is confined to guaranteeing all the *local* borrowings required for equipment, recreational facilities, road or street paving programmes and so on. We believe that the circumstances prevailing in this Province have shown these programmes to be of great benefit in helping to extend essential basic local services. The tendencies toward duplication in some areas (e.g., fire equipment) should be kept under better control in consequence of the procedural recommendations concerning the allocation of capital grants outlined below.)

But how, it may now be asked, is the principle of equity to be applied in the case of revenue deficiency grants? Like the equalization payments, these contributions provide funds that are unconditional with respect to their use by municipal councils. The principle of equity would appear to require that grants be distributed in accordance with local need. But need, in turn, depends upon expenditure requirements (positive) and local taxable capacity (negative). If an element of equalization is provided, the disparity among municipalities in the matter of tax capacity is substantially reduced. But local need, as indicated by expenditure levels, is quite another and a much more complex matter.

There are, it is plain, different kinds, levels and intensities of need. And there are much greater variations in municipal need and local circumstance within each province than there are differences in need among the provinces. (This is the main reason why the environment within which provincial-municipal fiscal policy is determined tends to be much more complex than is the environment of federal-provincial finance.) Among the nearly 300 municipalities in Newfoundland, the Commission distinguishes sharply three basic, separate and distinct kinds of local need. First, there is the need of many newly incorporated municipalities — most of them very small, many of them isolated and some of them with low average incomes and declining populations — to acquire the more sophisticated and more costly local services when clearly established criteria related to environmental, public health and other public policy considerations dictate such a requirement. Second, there is the need of what we have termed in this report the "developed" municipalities, arising from their difficulty in securing resources from the use of local fiscal instruments adequate to meet their essential service responsibilities. We emphasize particularly that, to a much greater extent than those in the first category, these developed municipalities are experiencing population growth and urban development. Many of them, too, are below the provincial average income level and are afflicted with a high incidence of social assistance payments. A great many but by no means all of them exert above-average local tax efforts, and some of them are also isolated and smaller in size. *Many, moreover, have achieved the status of developed municipalities only through the heavy and sustained assistance provided by the Province, and without imposing the real property tax.*

In the Commission's view, the government has distinct obligations to each of these two categories of municipalities. Furthermore, since resources are limited, how it discharges its responsibility to one group affects its ability to meet its obligations toward the other. It is our opinion, as well, that the design and operation of the present grant system has served in practice to obscure both the nature and implications of this dual pattern of responsibility. We take it as being axiomatic that the consequences of past decisions cannot be wished out of existence. Many of the municipalities, except the largest towns and cities, found in this study to have exceptional budgetary conditions are in that situation precisely because of the nature of existing support policy. The government, in our judgment, must therefore accept responsibility for its past decisions. It must, in particular, ensure that the municipalities which it has in the past assisted to achieve developed status are adequately supported. Otherwise, there is a strong possibility that previous support efforts will have been in vain.

The third category of local need involves those municipalities which have achieved a developed status on their own. The Commission is unanimous in its view that the government must reassess its traditional policy toward the larger municipalities, including the cities. Our studies indicate clearly that during the past five years there has been a decided *relative* shift in the emphasis of provincial assistance: to an increasing degree it has moved away from the traditional level of support provided for the cities toward greater resource allocations on behalf of non-city municipalities (see Table 6-4). And it is also clear that among the latter units, the beneficiaries of this change have not been the larger towns but a select number of middle sized and smaller municipalities identified later in Annex B. The Commission regards it as indisputable that our larger municipalities have substantial and growing needs which, to an increasing degree in recent years, have not been actually acknowledged in terms of provincial policy priorities. The budgets of the cities of St. John's and Corner Brook, for instance, were compared in detail with those of two cities of comparable size in New Brunswick (Saint John and Fredericton). The data for the two latter cities was extracted from the official Municipal Statistics of the Province of New Brunswick, 1970, and compared with the audited financial statements of St. John's and Corner Brook. The results of the comparison are found in Table 8-7:

Table 8-7: Inter-City Budget Comparison: St. John's - Saint John and Corner Brook - Fredericton, 1970

	St. John's (Thousands $)	%	Saint John (Thousand $)	%
Total Taxation	7,455.5	66.4	4,739.4	40.7
Non Tax Revenue	773.1	6.9	907.5	7.8
Total Local Revenue	8,228.6		5,646.9	
Total Provincial Grants	2,991.4	26.7	5,997.9	51.5
Total Disposable Revenue	11,220.0	100.0	11,644.9	100.0
	Corner Brook	**%**	**Fredericton**	**%**
Total Taxation	2,257.2	68.7	1,446.5	51.6
Non Tax Revenue	233.8	7.1	448.3	16.0
Total Local Revenue	2,491.0		1,894.8	
Total Provincial Grants	793.7	24.2	910.7	32.4
Total Disposable Revenue	3,284.7	100.0	2,805.5	100.0

While inter-provincial comparisons do present certain difficulties, there is absolutely no foundation to the widely-held view that St. John's, in particular, is supported at levels well beyond the dictates of equity, not only by Newfoundland's standards but by those of the mainland as well. The City's grants in this comparison, we emphasize, include the full amount in 1970-71 of all expenditures by the Province in respect of police and fire services as well as the actual city grants. Saint John, in the above comparison, received nearly double the rate of provincial support provided to St. John's. And while the figures have changed since 1970, the basic budgetary proportions, as we have demonstrated earlier, remain essentially the same in 1974. The Corner Brook-Fredericton comparison indicates a similar though less dramatic disparity. When the Commission compared the budgets of Gander and Grand Falls with those of Chatham and Dalhousie in New Brunswick — two towns of roughly comparable size and possessed of economic bases almost identical with the Newfoundland units — a similar result emerged. Gander received total grants of $15.60 per capita (19.4% of its budget); Chatham received $42.10 in total grants (50.8% of its budget). The Grand Falls-Dalhousie comparison was even more striking. Our central paper town received $12.20 per capita in total grants (11.6% of its budget) in contrast with New Brunswick's paper town which obtained $86.50 (53.2% of its budget). *We reiterate a point made earlier: since 1967, New Brunswick's municipalities have exactly the same range of service functions as do those in this Province.*

The Commission is fully aware that any proposal looking toward increased support for larger municipalities will immediately come into conflict with conventional wisdom which holds that larger towns should in equity not be supported beyond minimum levels, because their residents already possess the resources needed to supply all required local services at adequate standards. But that position is clearly untenable. All large towns do not possess the same taxable capacity. The towns of Windsor, Bishop's Falls, Bonavista and Wabana, for instance, all have income levels below the provincial average. The service needs of larger towns with above-average incomes, on the other hand, have needs which are an inevitable consequence of urbanization and of high density conditions.

It is a universal fact of urban economics that expenditures per capita are higher in larger than in smaller municipalities. The reasons for this phenomenon are various, but the impact of size is itself a major contributing cause. Residents of smaller communities do not always demand some of the services often deemed to be essential in the cities or larger towns. Their demands may not require services at the levels or standards needed in the larger units (e.g., roads, sidewalks, libraries). But the main explanation for higher per capita expenditure levels in larger centres is obviously the urban problems which they must face: traffic congestion and control, transportation, town planning problems, police and fire protection requirements, more complex sewerage treatment and disposal needs, and so on. Scale and complexity breed heavy costs which represent a tangible need. Another important contributing factor in this connection arises because the larger urban centres become increasingly the focal point for problems which, in a sense, migrate there from the rural areas and smaller communities. Our information suggests that many larger towns have a substantial incidence of social assistance payments, some of which is due to the fact of migration. Stephenville, for example, has a very high requirement in this regard. Many of the larger towns and cities certainly have strong needs in respect of urban renewal, housing schemes and recreation facilities.

When applying the equity principle, moreover, there are certain additional economic factors to be considered. Larger municipalities, for unavoidable reasons, must assume a greater weight of local service costs. But they also have a substantial claim on provincial resources because their residents consume a greater share of taxable commodities and services which supply the Province with the bulk of its disposable revenue raised provincially. To the extent that consumption levels tend to increase as income increases, consumption per capita is heavier in the larger than in the smaller centres. Greater family self-sufficiency in the smaller communities enables their residents to engage in tax avoidance, particularly in a Province where the provincial tax system is biased so heavily toward consumption-based levies. (See Chapter 3) Why, for instance, is it impossible to find a restaurant (where meals are subject to provincial taxation) in the town of Fogo? Recreation and amusement patterns in the larger centers also tend to attract provincial taxation. And how much provincial revenue is generated each year by virtue of the townie's use of the automobile? The roads he uses, moreover, are more likely to be paid for in goodly part from the proceeds of the real property tax. The resident of the smaller community is much more likely to make greater use of highways provided by the Province. For all of these reasons, and in spite of conventional wisdom, so-called, the principle of equity requires the government to assess carefully its fiscal obligations toward the larger developed municipalities of the Province, including the cities.

In formulating its fiscal proposals detailed below, the Commission has worked within the following framework of basic assumptions. We believe that any system of municipal financial support must recognize the three categories of need specified earlier. Indeed, it should encourage a conscious attempt to provide a balanced response on the part of the Province toward each of them, within the limits of its available fiscal resources.

Except for the impact patterns inherent in our later proposals, we do not propose to establish an elaborate set of criteria which would determine how, when, and to what extent or duration, provincial policy should move in terms of supporting one category with greater intensity than the other two or vice versa. Those evaluative decisions, in our opinion, are rightly the prerogative of political leaders who are accountable to the electorate. Our purpose is rather the more limited one of sharpening perspectives on the complexities and limitations inherent in the present system of financial support, and of recommending a set of fiscal instruments sufficiently flexible to enable the delivery of that support to assume more coherent forms. We are — to borrow a phrase in the brief supplied by the Federation of Municipalities — attempting to ensure that the system developed for future years is "freed from whimsicality".

(b) *Grant Formulas and Expenditure Patterns*

Before proceeding to a description and justification of those proposals, however, some final comment on the Commission's view of certain technical aspects of municipal grants is needed. We have examined in detail and have rejected, whether singly or in some combination, all nine programmes of financial support currently used in the other Canadian municipal systems. These include the simple models found in Prince Edward Island, Nova Scotia, Quebec, Manitoba, Saskatchewan and British Columbia, through which those provincial governments transfer substantial amounts of money annually to their municipalities in accordance with simple per capita, unconditional formulas. Manitoba, for instance, grants x dollars, as determined annually by the cabinet, an amount which is shared equally per capita by all municipalities, regardless of their size. On the other hand, much more complex support systems are now found in New Brunswick, Ontario and Alberta. In addition, a new system has been recently proposed for Nova Scotia.

In 1967 the New Brunswick government, for instance, introduced a "foundation formula" for assisting its municipalities. Its purpose, one of the most complex ever attempted, was intended to assist in the provision of a level of local services deemed to be adequate, while requiring an equalized local tax effort. Such a difficult objective required some method of determining each municipality's expenditure needs and its capacity to raise revenue with a standard intensity of tax effort. In order to obtain the latter measure for all of its municipalities, the province assumed complete control of assessment functions and introduced a province-wide, uniform system of assessment at market value, against which a standard rate could be applied in order to determine comparative tax effort in a uniform manner. The second requirement, namely, an agreed-upon level of local expenditure sufficient to provide services to an acceptable standard has in fact been found to be quite unworkable. Indeed, this approach has recently been discarded by the Province of New Brunswick. For those who may believe that the best way to realize an appropriate system of municipal grants is to be found in the use of expenditure levels as the primary indicators of local needs, we cite the following excerpt from the recent New Brunswick *Task Force Report* quoted in the previous chapter:

> "The other requirement, a reasonably accurate measure of expenditure requirements to produce an acceptable standard of municipal service provision, represented in our opinion a goal beyond the reach of those who devised the grant formula. For that purpose it would have been necessary to define service standards recognized as desirable and attainable and to measure the cost of delivering this chosen level and scope of services. This would have required an expenditure analysis for each municipality within the grant plan. As an alternative, actual spending was averaged for municipalities grouped by population ranges based on census data . . . (Three groups included all municipalities in the province).
>
> What is so sacred about average spending? An averaging process would seem to produce a grant payment that is fully equitable for one municipality within each group at most. If spending expectations are higher in the large urban municipalities than small, is it reasonable to (group units of quite different sizes together) and to elevate *average actual* spending to the status of a measure of spending need?"
>
> (*Task Force Report on Municipal Structure and Financing*, Province of New Brunswick, pp. 57-58.)

The report goes on to show that the three largest cities, which were assigned to the same group, differed not only in size but in essential make-up, which affected their "appropriate" expenditure levels in a way that an averaging procedure could never possibly recognize. The report concludes, as follows:

> "The concept of a foundation grant plan has been developed and applied in the field of a single service — education. It is much more difficult, perhaps impossible, to evolve a satisfactory foundation plan to meet the multi-function requirements of municipal government while retaining due allegiance to the objective of autonomous choices in the development of each municipal service . . . we think it is necessary to forego defining standard tax effort in relation to an array of quite distinctive municipal services.
>
> (*Ibid.*, p. 59)

Instead, the report recommended a simplified plan which took into account obvious differences in tax strength (in terms of inter-municipal assessment per capita differentials) and added bonus supplements in respect of density (assessment per road mile) and population size (a graded population allocation calculated for all units above 5,000 on a rising scale.)

With the single exception of its proposed regional incentive grant outlined below, the Commission has not attempted to devise any municipal grant system related to either averaged or unaveraged levels of actual local expenditure, nor upon any presumed "appropriate" level of municipal outlays for the nearly 300 extremely diverse local governments in the Province. More critically, however, it has been unable to use the essential real property tax assessment base as a vehicle upon which to develop the equalization component of its grant proposal. Equalization grants calculated upon assessment differentials are used currently in Ontario and, since 1973, in Alberta. Use of these methods for grant determination purposes in Newfoundland must of necessity await the introduction of a province-wide system of assessment as recommended in the previous chapter. For this reason, and *because of environmental circumstances, we consider our proposals deficient in a technical sense. Indeed, we regard them essentially as an interim framework to be adjusted at some appropriate time in the future.*

(c) *The Source of Funds for Municipal Grants*

There is one characteristic feature of all municipal grant systems, whether they be complex or simple in design and in administrative application: they never provide sufficient funds to local governments fated to use inferior revenue instruments. In an effort to deal with this matter in a comprehensive fashion, the Commission undertook a detailed examination of the provincial economy and of the Province's fiscal base. That study is summarized in Chapter 3. In its brief to the Commission cited earlier, the Newfoundland and Labrador Federation of Municipalities recommended "earmarking" certain (i.e., "one or more") provincial revenue sources as continuing sources of funds to be transferred to local authorities. We cite the words of the submission as follows:

> "We impress upon the Commission the urgency of the need for an 'autonomous grant base'. This is the principle upon which the concept of revenue-sharing is based. The grant funds must come from an 'earmarked' tax source . . . and (that) source must be both adequate and a 'growth tax'. The tax on tobacco and alcohol is one such source, and for reasons given earlier we earnestly pray the Commission to press forth this case on our behalf."
>
> *(Federation's Brief,* pp. 45-46)

The urgency of the Federation's plea in this matter stems from its root-and-branch rejection of the present system of fiscal support to Newfoundland's municipalities. We cite the brief once more:

> "The question of grants must be tackled immediately. The first step . . . is to 'systematize' the present grant structure. The fund is inadequate and arbitrarily apportioned. It is residually determined in the process of legislative appropriations. Therefore, with the heavy local dependency upon this source of funding, forward budgetary planning is an exercise in futility. Consequently there is no sound basis for evaluating the merits of competing claims, and the whole operation, whether deservedly or otherwise, bears the mark of 'pork-barrel' politicing. In such a climate the purpose of local institutions is destroyed. With one eye on 'Fort Knox' and the other on his neighbour each local decision-maker cries with his fellow mendicant for a crumb of the rich man's crust. The consequences are anything but constructive. The buckaneering element of 'political grantsmanship' must be excised." *(Ibid.,* p. 46)

In response to the Federation's request, the Commission has examined in depth the questions of "joint occupancy" of tax fields and of "shared taxes". So far as can be determined, joint occupancy is not a practical venture. With respect to the provincial income tax, joint occupancy has been proposed on numerous occasions in different provinces and invariably has been rejected. Ontario's study concluded that save for its three largest metropolitan centres, almost all of which have populations in excess of Newfoundland, municipal occupancy could not produce yields that would justify enforcement costs. (We have earlier rejected the same proposal in whatever form it might take.)

In Quebec, until 1964, there existed joint occupancy of the retail sales tax field. But municipal use of that tax was generally confined to the larger urban centres. It has been well established that joint occupancy in the sales tax field gives rise to many tax avoidance and administrative problems. Indeed, the Quebec experiment was terminated in 1964 and a system of fully shared taxation based upon a uniformly applied provincial sales tax was then introduced. Quebec is the only province in Canada, it must be pointed out, that now shares the proceeds of any major revenue source with its local governments. The equivalent of two per cent of the retail sales tax is allocated to municipalities. It is generally admitted that tax sharing avoids many of the complexities, and reduces compliance difficulties and costs, associated with joint occupancy. But the question of how the proceeds of tax sharing are to be distributed among municipalities invariably gives rise to conflict. Much difficulty has been encountered in Quebec on this very point. The distribution of the proceeds assigned for local use has in this case a regional base which recognizes intermunicipal fiscal disparaties. But there have been ongoing wrangles over the distribution formula used, as well as over the proportion of the sales tax actually shared with municipalities. Some time ago, for instance, Quebec's local governments organized a formal lobby in an attempt to secure alterations in existing tax sharing arrangements, which are widely regarded as inequitable.

The Quebec experience with tax sharing, in our judgement, is not one calculated to inspire emulation. But the Federation's proposal, noted above, goes some distance beyond tax sharing in the ordinary sense. It contemplates reserving the full proceeds of "one or more" provincial revenue sources exclusively for the use of the local governments. The yield of such reserved or "ear-marked" revenue sources, in the Federation's view, should be predictable "over a three or four year horizon" and should also be elastic with reference to income (i.e., growth responsive). Tobacco and alcohol taxes, in particular, were cited as possible targets for reservation.

The Commission points out, in the first place, that no other province has reserved any of its revenue instruments for municipal grants in a manner recommended by the Federation. Second, the "ear-marking" of any particular provincial revenue source(s) does not solve the problem of how the yield of such taxation is to be distributed among local authorities. Third, at the beginning of this chapter we suggested that recent levels of provincial support to Newfoundland's municipalities have grown very rapidly. In fact, they have more than doubled (145%) in the last four years. Indeed, municipal grants in total have grown at annual average rates well in excess of those in respect of provincial personal income, of the provincial budget, and of most provincial revenue sources. Budgetary support levels in this Province are also high by Canadian standards. On the other hand, we have shown elsewhere that local participation in municipal public finance outside of the cities has been steadily declining in relative terms since 1970. Our standards in this respect, particularly in under-utilization of the real property tax, are the lowest in Canada.

In view of these circumstances, the question then to be resolved is whether the provincial and municipal interest is better served by reserving the yield of particular provincial revenue sources for distribution to local

governments over designated time periods, or by designing and implementing an improved system of grants to be provided from the general revenues of the Province. This Commission is strongly in favour of the latter alternative. We appreciate fully the difficulties imposed on local leaders by virtue of existing grant arrangements; but we appreciate as well the financial management problems which must be faced and resolved annually by the Province under the most stringent fiscal conditions prevailing in Canada. And we will not deny the Province its right to have a maximum leverage in these matters. Nor have we found that the regular appropriations for municipal grants have in recent years been determined in any "residual" fashion. Indeed, we have discovered that in the case of the water and sewerage subsidy programme, whether by design or by accident, there has been a clear tendency to assign these appropriations a paramount priority — so paramount, in fact, that a great many decisions appear to have been taken without full appreciation of the subsequent impact of subsidies on the current obligations of the Province. Very few public programmes, in our experience, attain such preferred status.

The residual element is found most clearly in decisions respecting special or emergency allocations; and, as we have earlier suggested, this aspect of recent grant development has had a particularly negative and debilitating impact at the local level. Our conclusion, then, amounts to a rejection of the Federation's basic fiscal proposal in preference for a wholly new grant programme to be funded by the Province from its available general revenues. In our judgment, a properly structured system of fiscal support to local governments is the key requirement. Precisely where and how the funds are to be obtained for such a programme, in our opinion, should rest exclusively in the hands of provincial authorities. And such a system of fiscal support, we unanimously recommend, should provide a strong incentive toward much greater local participation in the direct provision of resources needed for community service whose benefits in the main are specific to place and property.

7. The Proposed System of Municipal Grants

Upon the basis of evidence provided in this and in previous chapters, the Commission has concluded that the present system of financial support to municipalities is fundamentally defective for the following reasons:

(1) it fails to take adequate account in any rational manner of different categories of local needs;

(2) it tends, in fact, to obscure these needs in both political and administrative practice;

(3) it produces a grant allocation pattern that correlates with community income at the zero level;

(4) it contributes to the systematic under-utilization of real property taxation among many of the developed municipalities of the Province;

(5) it fails to provide the incentives which alone will foster a greater spirit of local autonomy and encourage the growth of local fiscal responsibility.

For all of these reasons the Commission recommends as a substitute, for the next phase of municipal development, a wholly new programme of fiscal assistance to municipalities. The alternative structure herein proposed is not regarded by any means as being the ideal recommendation. But for reasons indicated below, it is nevertheless considered to be the only practical substitute, under present circumstances, for at least the next five-to-ten year period. If adopted, it would also be unique in Canada; but distinctive challenges require unique responses.

The Commission recommends, therefore, that a three-part provincial support programme be introduced in stages, to consist of the following main elements:

- *A General Municipal Assistance Grant*
- *A Municipal Tax Incentive Grant*
- *A Municipal Capital Project Grant*
- *A Regional Incentive Grant*

The first of these grants would be available to all presently incorporated municipalities, including the cities of St. John's and Corner Brook. The second is aimed exclusively at the category of developed municipalities, including the cities. The third would be available to all municipalities but under terms and procedures quite different from those presently in use. The last grant aims to stimulate regional municipal development in Newfoundland.

(a) *General Municipal Assistance Grant*

The General Municipal Assistance Grant (hereafter termed the general grant) should have three separate components. First, an annual per capita *Basic Allocation* scaled directly to the population size of each municipality. The rate at which the general grant should be allocated would begin at $9.00 for all units with 1971 populations of 650 or under, and would advance to $15.00 per capita for all municipalities with 1971 populations in excess of 6,000. Second, the general grant should provide a subsidiary allocation which would vary from $1.00 to $5.00 and would bear a direct relationship to the incidence of social assistance found to exist during the previous year in each municipality. (The incidence of social assistance should be determined by totalling all long- and short-term social assistance payments made *within municipal boundaries* and by dividing into that amount the *1971* population of the municipality.) Local authorities would thus receive a per capita payment related to their relative positions on the resulting ratio scale. This element we have called the *S.A. Supplement*.

Third, a final subsidiary allocation ranging from $3.00 per capita to $4.50 per capita, and scaled directly to the length of local road mileage, should be added. This element we call the *L.R.M. Supplement*. (Local road mileage is defined in this context as the *public* road mileage, regularly used by residents, over which the municipality has jurisdiction. It does not include private roadways and lanes, occasionally used through public trailways, or provincial roads. Disputes concerning local road mileage should be resolved by the Planning Appeal Board in accordance with regulations to be enacted by the Minister.)

The consequence of this proposal is that all municipalities in the Province would receive a general assistance grant, scaled to their 1971 populations in accordance with three separate rate formulas. This grant should replace and be made in lieu of all present revenue, road, water and sewerage subsidies and special grants. The following hypothetical schedule in Table 8-8 illustrates the three-part nature of this first proposal:

Table 8-8: General Municipal Assistance Grant Schedule (Hypothetical)

Size of Population	(1) Basic Per Capita Grants $	(2) S.A. Supplement $	(3) L.R.M. Supplement $	Total General Grant Per Capita $
Below 650	9.00	5.00	3.00	17.00
650 - 999	10.00	4.00	3.25	17.25
1,000 - 1,499	11.00	3.00	3.50	17.50
1,500 - 1,999	12.00	2.00	3.75	17.75
2,000 - 2,999	13.00	1.00	4.00	18.00
3,000 - 5,999	14.00	2.00	4.25	20.25
6,000 and above	15.00	3.00	4.50	22.50
Minimum Limit	9.00	1.00	3.00	13.00
Maximum Limit	15.00	5.00	4.50	24.50
Average	12.00	2.00	3.75	17.75

It is emphasized that all municipalities under this proposal would receive the basic allocation ($9.00-$15.00) in relation to the size of their populations. The social assistance supplement and the local road mileage supplement, however, are again distributed on a per capita basis, but in accordance with each municipality's location on the social assistance and local road mileage scales. The scale for the first supplement is as follows, and is illustrated with reference to the 1971 non-city sample used throughout this chapter:

Social Assistance Payments Per Capita, 1971	Per Capita Rate $	Number of Municipalities	Average %
0 - $29	1.00	24	21.6
$30 - $59	2.00	40	36.0
$60 - $89	3.00	22	19.8
$90 - $119	4.00	15	13.5
$120 and above	5.00	10	9.1
		111	100.0

The local road mileage supplement, again as illustrated with reference to the sample information provided in the *Community Inventory*, is as follows:

Local Road Mileage	Per Capita Rate $	Number of Municipalities	Average %
0 - 2.99	3.00	28	25.2
3 - 5.99	3.25	30	27.0
6 - 8.99	3.50	25	22.5
9 - 12.99	3.75	11	10.0
13 - 17.99	4.00	6	5.4
18 - 23.99	4.25	3	2.7
24 and above	4.50	8	7.2
		111	100.0

The Commission estimates that had it been in place during 1975, the cost of this general assistance programme to the Province would have amounted to $8.5 million. Since we believe that all grants to municipalities during the current year will approximate $21.8 million, the grant proposed would be rather more than one-third (39%) of all projected provincial grants. If implemented it would contribute 29 per cent of an estimated $29.4 million raised by all municipalities in the Province; it would represent 17 per cent of total disposable revenue available to local authorities.

(b) *Municipal Tax Incentive Grant*

We have recommended in the previous chapter that as soon as the necessary real property assessment functions can be completed, all the developed municipalities (i.e., those with water and sewerage utilities serving a majority of their citizens) should be required to impose the real property tax. Our next proposal is confined to these municipalities and to all those currently using the real property tax, including the Cities of St. John's and Corner Brook. The recommendation is for a Municipal Tax Incentive Grant. Under this proposal, the Province would pay annually to each municipality employing the real property tax an amount equal to the yield of that tax in the preceeding year. Had it been in effect during 1975, it would have required provincial payments to some 26 municipal units, including St. John's and Corner Brook, amounting in total to $10.4 million (See Table 6-4). This incentive grant, combined with the general assistance grant contributed in a manner outlined above, would have required a provincial obligation during 1975 of approximately $20 million, or an amount slightly below that which it is estimated will have to be paid under existing budgetary arrangements during the current year, including the cost to the Province of city police and fire services.

(c) *City Application of Proposed Grants*

Since the two cities receive substantial assistance from the Province in respect of these services, the grants to them should be calculated in the following manner:

Table 8-9: An Estimate of City Net General Assistance and Tax Incentive Grants, 1975

	St. John's	Corner Brook	Total
	$	$	$
General Assistance Grant	1,894.2	565.6	2,459.8
Tax Incentive Grant	6,600.0	959.4	7,559.4
Total	8,494.2	1,525.0	10,019.2
Less: Provincial Expenditure for Fire and Police Services	5,200.0	554.0*	5,754.0
Actual Total Grant	3,294.2	971.0	4,265.2

*After this estimate was made, the Commission was informed that the R.C.M.P. contract for Corner Brook has increased to just over $600,000.

As indicated earlier in this report, the Commission remains neutral on the question of whether these city services should or should not be supplied by the Province. But if city authorities wish to continue under the present arrangements, their grants should be calculated net of the Province's annual expenditures in respect of fire and police services and of the R.C.M.P. contract costs.

(d) *Illustration of Proposed Grant Impact on Non-City Budgets*

Because of the inaccuracy which prevails in respect of current (1974) municipal budgets, the Commission first illustrates the impact of its proposals on the 1971 budgets of the municipalities included in the non-city sample of 111 units used in this chapter. For this purpose, we distinguish between the developed and the undeveloped local authorities. All comparisons are expressed in per capita terms and are presented in Table 8-10.

Table 8-10: General Municipal Assistance Grant Impact Illustrated (1971 Budgets: 49 Undeveloped Municipalities)

A. Population Under 650	Population	All Regular Grants 1971 (Per Capita)	Proposed General Assistance Grant (Per Capita)	Grant Difference
	(1971)	$	$	$
1. Portugal Cove South	371	7.25	17.25	+ 10.00
2. Irishtown	502	5.51	17.25	+ 11.71
3. Little Bay	503	5.82	14.00	+ 8.18
4. Fermeuse	503	10.55	14.25	+ 3.70
5. Gaultois	509	3.37	14.00	+ 10.63
6. Meadows	516	8.18	15.00	+ 6.82
7. Elliston	551	9.81	16.25	+ 6.44
8. Lushes Bight	553	8.09	13.50	+ 5.41
9. Lamaline	553	11.37	16.25	+ 4.88
10. South River	554	12.75	13.25	+ 0.50
11. Cormack	561	16.49	15.00	− 1.49
12. Renews	567	9.82	15.75	+ 5.93
13. Main Brook	590	8.30	15.00	+ 6.70
14. Change Islands	609	6.69	16.50	+ 9.81
15. Port au Port West	640	6.40	16.00	+ 9.60
Average Grant	(8,082)	8.69	15.25	+ 6.56
B. Population: 650-999				
1. Chapel Arm	659	7.91	16.00	+ 8.09
2. Mount Carmel	674	13.29	17.25	+ 3.96
3. King's Point	682	7.59	15.25	+ 7.66
4. Harbour Main	682	8.68	16.50	+ 7.82
5. Cupids	691	13.27	15.75	+ 2.48
6. Nain	708	3.84	17.25	+ 13.41
7. Little Catalina	722	9.35	16.25	+ 6.90
8. Hampden	739	9.33	18.00	+ 8.67
9. Brigus	746	11.03	17.25	+ 6.22
10. Cartwright	753	6.23	18.25	+ 12.02
11. St. Lunaire, etc.	825	5.39	15.25	+ 9.86
12. Carmanville	839	6.41	18.00	+ 11.60
13. Clarke's Beach	877	11.29	17.75	+ 6.46
14. Northwest River	915	5.26	17.00	+ 11.74
15. Point Leamington	940	8.80	16.00	+ 7.20
16. Lourdes	959	4.67	18.25	+ 13.58
17. Pasadena	964	13.83	14.50	+ 0.67
18. Norman's Cove	997	6.24	15.25	+ 9.01
Average Grant	(14,372)	8.47	16.75	+ 8.28

Table 8-10: General Municipal Assistance Grant Impact Illustrated (1971 Budgets: 49 Undeveloped Municipalities)

	Population (1971)	All Regular Grants 1971 (Per Capita) $	Proposed General Assistance Grant (Per Capita) $	Grant Difference $
C. Population: 1,000-1,499				
1. Triton, etc.	1,002	7.88	15.25	+ 7.37
2. Englee	1,050	9.92	18.25	+ 8.33
3. Fogo	1,155	9.11	17.00	+ 7.89
4. Isle aux Morts	1,157	6.91	16.00	+ 9.09
5. Milltown	1,233	7.45	15.25	+ 7.80
6. Kippens	1,383	5.60	16.50	+ 10.90
7. Pouch Cove	1,483	7.12	16.50	+ 9.38
8. Hare Bay	1,485	7.52	19.00	+ 11.50
Average Grant	(9,948)	7.69	16.75	+ 9.06
D. Population: 1,500-1,999				
1. Cape St. George	1,595	2.52	17.25	+ 14.73
2. Spaniard's Bay	1,764	6.84	18.50	+ 11.66
3. Upper Island Cove	1,819	6.22	19.50	+ 13.28
4. St. Alban's	1,941	7.87	19.25	+ 11.38
Average Grant	(7,119)	5.86	18.50	+ 12.64
E. Population: 2,000-2,999				
1. Halfway Point, etc.	2,027	2.35	17.25	+ 14.90
2. St. George's	2,081	8.19	19.50	+ 11.31
Average Grant	(4,108)	5.27	18.25	+ 12.98
F. Population: 3,000-5,999				
1. Bay Roberts	3,702	10.81	19.50	+ 8.69
2. Bonavista	4,215	8.04	22.00	+ 13.96
Average Grant	(7,917)	9.42	20.75	+ 11.33
All-Group Average		7.75	17.50	+ 10.00

When interpreting these comparisons it should be kept in mind that the regular grants which will be received by these municipalities during 1974 will have increased by an amount which the Commission estimates to be on the average of 10 to 15 per cent. The portion of the general grant attributed to social assistance payments, which in the table is based upon 1971 information, will also have changed in some instances, thereby altering the total per capita payments to particular communities by small amounts. It appears certain, however, that the impact of the proposed general assistance grant would even out the substantial degree of variation prevailing under the present regular grant system. Had it been operative during 1971, it would have produced the following differences:

TABLE 8-11: Variation in Grant Impact: Undeveloped Municipalities

Size Group	Maximum Difference	Minimum Difference	Average Difference
A. under 650	Irishtown + $11.70	Cormack − $1.49	$8.69 − $15.25 = + $6.56
B. 650-999	Lourdes + $13.58	Cupids + $2.48	$8.47 − $16.75 = + $8.28
C. 1,000-1,499	Hare Bay + $11.50	Triton + $7.37	$7.69 − $16.75 = + $9.06
D. 1,500-1,999	Upper Island Cove + $13.28	St. Alban's + $11.38	$5.86 − $18.25 = + $12.64
E. 2,000-2,999	Halfway Point + $14.90	St. George's + $11.31	$5.27 − $18.25 = + $12.98
F. 3,000-5,999	Bonavista + $13.96	Bay Roberts + $8.69	$9.42 − $20.75 = + $11.33
All Units	Halfway Point + $14.90	Cormack − $1.49	$7.75 − $16.75 = + $9.00

A second consequence, it is evident, would have been a general increase in the amounts received by all undeveloped municipalities. These increases are listed in Table 8-12:

TABLE 8-12: Grant Impact: Summary For Undeveloped Municipalities

Size Group	Population	No. of Municipal Units	Amount of Regular Grants 1971 $	Amount of Proposed Grant $	Difference $	%
A. Under 650	8,082	15	70,232	123,250	+ 53,018	75.5
B. 650-999	14,372	18	121,730	240,731	+ 119,001	97.8
C. 1,000-1,499	9,948	8	76,500	166,629	+ 90,129	117.8
D. 1,500-1,999	7,119	4	41,717	131,701	+ 89,984	215.7
E. 2,000-2,999	4,108	2	21,649	74,971	+ 53,322	246.3
F. 3,000-5,999	7,917	2	74,578	164,277	+ 89,699	120.3
Total	51,546	49	406,406	901,559	+ 495,153	121.8
Unit Average	1,052	1	8,294	18,399	+ 10,105	121.8

For all six groups of undeveloped municipalities in 1971 the total amount of regular (non-special) grants amounted to just over $400,000. This level of grants would have more than doubled (121.8%) had our general assistance grant been in effect, and would have required a total payment of about $900,000. (Due to the use of approximate averages, this estimate is on the high side.) For the average municipality, grant levels would have increased from $8,294 to $18,399, or a growth of 122 per cent. In the case of all units except one (Cormack), payments received would have increased, often in relative terms by substantial amounts. The average regular grant payment received by the 49 communities during 1971 averaged $8,294. Under our proposal it would have been increased to $18,399. The conclusion appears to be that even allowing for actual grant increases since 1971, the Commission's general assistance grant would today regularize grant allocation patterns in all undeveloped communities at levels somewhat above those currently prevailing. (The Commission is aware that some units included in the above groups have since 1971 been authorized to proceed with the installation of water services: e.g., St. George's, Bonavista, and Bay Roberts. We have not seen fit to make these adjustments, since their budgets in 1971 did not reflect the impact of these new service additions. If our proposal were adopted, they either would or would soon fall into the next category of developed municipalities.)

In the case of the developed municipalities of which there were a somewhat larger number in our sample, the proposed general assistance grant

(b) *Provincial Grants: Expenditure-Debt*

A reference to Table A-13 in Annex A below (vertical column 6), will indicate that the association between total provincial grants per capita and the eight municipal expenditure categories achieved its greatest strength in the case of debt charges (0.84), total expenditure (0.76) and utility expenditures per capita (0.58). Total grants were related to the remaining areas of municipal expenditure either in a very weak or in an indifferent manner. Almost exactly the same general pattern is to be found in the case of the special grants and the water and sewerage subsidies. Quite a different pattern emerged, however, when the revenue and road grants were compared with municipal expenditure. The former grant was moderately associated with general government expenditures per capita (0.57), with protection (0.54), and sanitation (0.48) outlays. Unlike the case of water and sewerage subsidies, or of the special grants, it was not strongly correlated with total expenditure (0.43). The road grant, on the other hand, had no consistent relationship with any of the expenditure series. As we had expected, there was a moderate to strong pattern of correlation among the expenditure variables and total disposable revenue per capita. The Commission had not anticipated the very indifferent connection which emerged between dependency ratio levels and per capita expenditures on utility operations (−0.10) and debt charges (−0.04). It was evident, as well, that revenue and road grants were not associated in any manner with the debt series, whereas all other grants and their aggregate amount were only weakly correlated with them. There was some evidence of a moderate nexus between municipal debt per capita and the size of local budgets (0.57) but this relationship diminished in strength when the debt ratio was correlated with total disposable revenue. Finally, no coherent association whatever was found between debt levels, however measured, and the degree of municipal reliance on provincial grants.

(c) *Municipal Service Levels: Expenditure-Debt*

The statistical connection between expenditure and debt levels, on the one hand, and local service levels on the other, is summarized in Table 9-1 below. Total municipal expenditures per capita in 1971 were associated at a moderate level with water, sewerage and road pavement ratios in the range of 0.57 to 0.46. Similarly moderate levels of correlation were found among the seven expenditure categories and the prevailing water and sewerage service levels in municipalities. The relationship between them and the road pavement ratios, however, was somewhat weaker. It was surprising to find that public works expenditure and local pavement ratios were correlated at a level of only 0.19. Public debt per capita and the debt ratio (i.e., annual debt charges as a percentage of total *local* revenue, net of provincial grants) were associated in a weak-to-moderate fashion with service levels, the strongest coefficient being only 0.50 in the case of water service levels and the debt ratio. Again, there was a stronger association among the utility and debt variables than among the road pavement and the debt measures.

Table 9-1: Matrix of Pearson Coefficients Among Expenditure-Debt Levels Per Capita and Environmental-Service Indicators, Newfoundland Municipal Financial Survey, 1971

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Per Capita Expenditure and Debt	Population (1971)	Population Change (1966-1971)	Local Road Mileage	Density	Income Per Capita	Short-Term Assistance Per Capita	Long-Term Assistance Per Capita	Houses With Water %	Houses With Sewerage %	Roads Paved %	Local Tax Effort
(1) General Government	0.45	0.11	0.34	0.39	0.64	− 0.24	− 0.27	0.48	0.50	0.32	0.33
(2) Protection	0.20	− 0.01	0.26	0.23	0.60	− 0.31	− 0.25	0.40	0.44	0.46	0.30
(3) Public Works	0.36	0.04	0.28	0.40	0.58	− 0.13	− 0.25	0.22	0.28	0.19	0.28
(4) Sanitation	0.28	0.02	0.30	0.23	0.47	− 0.25	− 0.32	0.33	0.45	0.33	0.32
(5) Recreation	0.23	− 0.02	0.21	0.36	0.61	− 0.21	− 0.27	0.32	0.36	0.35	0.22
(6) Utility	0.05	0.03	0.05	0.26	0.07	− 0.16	− 0.26	0.49	0.49	0.35	0.40
(7) Debt Charges	0.13	0.03	0.10	0.22	0.12	− 0.18	− 0.21	0.44	0.44	0.36	0.29
(8) Total Expenditure	0.25	0.02	0.19	0.37	0.40	− 0.23	− 0.33	0.54	0.57	0.46	0.42
(9) Public Debt	0.64	0.05	0.52	0.35	0.33	− 0.17	− 0.26	0.40	0.39	0.28	0.22
(10) Debt Charges as % of Total Revenue	0.04	0.09	0.01	0.09	0.17	− 0.19	− 0.22	0.50	0.45	0.23	0.20

will obviously display quite a different impact pattern. The reason for this difference is clear: most of these units received above-average grants in 1971 and many of them, particularly those not using the real property tax, are found later, in Annex B, to constitute the exceptions to our seven rules of budget "normalcy". But it should be remembered that these 62 municipalities, along with approximately 20 more not included in our sample, would under these proposals within five years all be required to impose the real property tax. All of them would, as a consequence, ultimately receive the recommended tax incentive grant along with the general assistance grant.

A second difference is of prime importance. Some, but by no means all, of these developed units have been able to increase their revenue yields, hence the level of their revenue grants, and hence the level of their regular grants, at rates well above those which have prevailed among the undeveloped municipalities (i.e., 10-15%). Some of them, in addition, have been awarded new water and sewerage subsidies since 1971. The basis for our judgement in this matter cannot be documented with any degree of accuracy. But a survey of the 1974 budgets of 45 of the larger municipalities, inaccurate as they may be, convinces us that in the case of many larger units, regular grants may well have increased by as much as 30-35 per cent over 1971. (It is impossible, as we have indicated earlier, to obtain really dependable information on municipal budgets in this Province much beyond 1971.) These changes, in any case, should be kept in mind when examining Table 8-13:

Table 8-13: General Municipal Assistance Grant Impact Illustrated (1971 Budgets: 62 Developed Municipalities)

A. Population: Under 650	Population	All Regular Grants 1971 (Per Capita)	Proposed General Assistance Grant (Per Capita)	Grant Difference
		$	$	$
1. Buchans	454	34.71	13.50	−21.21
2. Newtown*	513	23.24	14.00	− 9.24
3. Hant's Harbour*	522	11.58	14.00	+ 2.42
4. Belleoram*	530	9.68	13.25	+ 3.57
5. Cow Head*	575	7.66	16.25	+ 8.59
6. Port Union*	578	12.34	14.25	+ 1.91
7. Heart's Content	599	11.02	14.25	+ 3.23
8. Port Saunders	637	12.38	14.25	+ 1.87
Grant Average	(4,408)	15.33	14.25	− 1.08
B. Population: 650-999				
1. Seal Cove	698	12.26	15.00	+ 2.74
2. Rose Blanche, etc.*	719	2.50	17.00	+14.50
3. Winterton	794	23.22	16.25	− 6.97
4. South Brook*	802	13.02	15.25	+ 2.23
5. Arnold's Cove	919	15.98	16.25	+ 0.27
6. Peterview	953	9.15	18.00	+ 8.85
7. Glenwood	979	19.94	17.50	− 2.44
Grant Average	(5,864)	13.72	15.50	+ 1.78

C. Population: 1,000-1,499				
1. Lawn*	1,000	7.65	19.00	+ 11.35
2. Robert's Arm	1,044	16.31	17.25	+ 0.94
3. Jerseyside	1,061	17.81	16.00	+ 1.81
4. Catalina*	1,131	9.04	17.50	+ 8.46
5. Wesleyville	1,142	17.72	15.00	− 2.72
6. Badger	1,187	23.43	16.25	− 7.18
7. Ramea*	1,208	15.25	16.50	− 1.25
8. Musgrave Harbour	1,232	7.13	16.50	+ 9.37
9. Whitbourne*	1,235	8.76	16.50	+ 7.74
10. Roddickton*	1,239	7.84	18.25	+ 10.41
11. La Scie	1,255	15.23	17.50	+ 2.27
12. Holyrood*	1,282	12.18	16.50	+ 4.32
13. Twillingate*	1,437	15.71	16.75	+ 1.04
14. Trepassey*	1,443	12.48	16.50	+ 4.02
15. Badger's Quay, etc.	1,457	19.81	15.50	− 4.31
Grant Average	(18,353)	13.75	16.75	+ 3.00
D. Population: 1,500-1,999				
1. Freshwater	1,562	13.33	18.00	+ 4.67
2. Dunville	1,742	15.45	17.00	+ 1.55
3. Glovertown*	1,915	15.45	17.75	+ 2.30
Grant Average	(5,219)	(14.74)	(17.50)	+ 2.76
E. Population: 2,000-2,999				
1. Stephenville Crossing*	2,129	14.92	21.50	+ 6.58
2. Fortune	2,164	19.57	17.50	− 2.07
3. St. Lawrence	2,173	15.46	19.75	− 4.29
4. Clarenville*	2,193	20.67	17.75	− 2.92
5. Harbour Breton	2,196	16.82	19.25	+ 2.43
6. Placentia	2,211	14.61	18.50	+ 3.89
7. Burgeo	2,226	15.40	18.50	+ 3.10
8. Baie Verte	2,397	25.25	17.50	− 7.75
9. Dark Cove-Gambo*	2,586	9.82	18.50	+ 8.68
10. St. Anthony	2,593	23.36	17.75	− 5.61
11. Burin*	2,756	14.31	17.25	+ 2.94
12. Harbour Grace	2,771	20.06	20.50	+ 0.44
Grant Average	(28,395)	17.52	18.75	+ 1.23
F. Population: 3,000-5,999				
1. Lewisporte	3,175	31.97	19.50	− 12.47
2. Springdale	3,224	24.16	20.50	− 3.66
3. Wabush	3,387	24.75	18.50	− 6.25
4. Grand Bank	3,476	18.24	19.75	+ 1.51
5. Bishop's Falls*	4,133	12.64	19.75	+ 7.11
6. Deer Lake	4,421	21.99	20.00	− 1.99
7. Carbonear	4,732	18.27	19.50	+ 1.23
8. Happy Valley	4,937	17.92	20.00	+ 2.08
9. Marystown*	4,960	16.00	19.75	+ 3.75
10. Wabana	5,420	6.88	20.50	+ 13.62
11. Channel-Port aux Basques	5,942	14.91	18.75	+ 3.84
Grant Average	(47,807)	18.88	19.75	+ 0.87

	Population	All Regular Grants 1971 (Per Capita)	Proposed General Assistance Grants (Per Capita)	Grant Difference
G. Population: 6,000 and above		$	$	$
1. Windsor	6,644	13.81	21.25	+ 7.44
2. Mount Pearl	7,211	12.80	20.00	+ 7.20
3. Labrador City	7,622	11.49	20.50	+ 9.01
4. Gander	7,748	12.00	20.25	+ 8.25
5. Grand Falls	7,677	12.19	20.50	+ 8.31
6. Stephenville	7,770	12.14	22.25	+ 10.11
Grant Average	(44,672)	12.41	20.75	+ 8.34
Grant Average: Total	(154,718)	15.50	17.75	+ 2.25

*Less than 75% water installation in 1971, according to the *Community Inventory*.

It is evident that the effect of the general assistance grant on the budgets of 17 out of 62 developed municipalities would yield payment levels below those of their regular grant payments during 1971. But in 45 instances the proposed grant would yield larger allocations than in 1971. Again, the component of the general grant based upon social assistance payments could alter the estimated payments by small amounts if the programme were introduced in 1974 or 1975. As with the undeveloped municipalities, however, the effect of the proposed grant would be to decrease extreme variations found in the regular grants distributed under the present system. We summarize in Table 8-14 the difference pattern had the general grant been in operation during 1971:

TABLE 8-14: Variation in Grant Impact: Developed Municipalities

Size Group	Maximum Difference (+)	Maximum Difference (−)	Net Average Difference
A. Under 650	Cow Head + $8.59	Buchans − $21.21	− $1.06
B. 650-999	Rose Blanche, etc., + $14.50	Winterton − $6.97	+ $1.78
C. 1,000-1,499	Lawn + $11.35	Badger − $7.18	+ $3.00
D. 1,500-1,999	Freshwater + $4.67	Dunville + $1.55*	+ $2.76
E. 2,000-2,999	Dark Cove-Gambo + $8.66	Baie Verte − $7.75	+ $1.23
F. 3,000-5,999	Wabana + $13.62	Lewisporte − $12.47	+ $0.87
G. 6,000 and above	Stephenville + $10.11	Mount Pearl + $7.20*	+ $8.34
All Units	Rose Blanche + $14.50	Buchans − $21.21	+ $2.25

*All differences are positive.

In all seven groups except the first, the proposed general grant formula would distribute more assistance than the present grant structure did during 1971. Extreme differences, as we might expect, are found in the case of municipalities using the real property tax or receiving very high per capita water and sewerage subsidies (e.g., Buchans, Winterton, Badger, Baie Verte and Lewisporte). The total number of these exceptional cases, based upon a 1971 comparison, would obviously be larger in 1974 due to the increase in regular grants which has taken place since the former year. As we shall demonstrate in a moment, a negative difference produced by low real property tax yields does not create any difficulty. The real difficulty arises when the difference is produced by very high water and sewerage subsidies in towns or districts not using the real property tax. This point is dealt with immediately below.

It is estimated that the general assistance grant to these 62 developed municipalities would cost $2,955,988, as compared with $2,431,764 distributed in the form of all regular grants to these units during 1971. Increased grants would be highest in Group G (6,000 and above) and lowest in Group B (650-999). The municipalities in Group A (under 650) would collectively receive less than they did in 1971.

TABLE 8-15: Grant Impact: A Summary for Developed Municipalities

Size Group	Population	No. of Municipal Units	Amount of Regular Grants 1971	Amount of Proposed Grant	Difference	%
			$	$	$	
A. Under 650	4,408	8	67,574	62,814	− 4,760	−21.8
B. 650-999	5,864	7	80,454	90,892	+10,438	+13.0
C. 1,000-1,499	18,353	15	252,353	307,412	+55,059	+21.8
D. 1,500-1,999	5,219	3	76,928	91,332	+14,404	+18.7
E. 2,000-2,999	28,359	12	497,480	532,406	+34,926	+ 7.0
F. 3,000-5,999	47,807	11	902,596	944,188	+41,592	+ 4.6
G. 6,000 and above	44,672	6	554,379	926,944	+373,565	+67.1
Total	154,718	62	2,431,764	2,955,988	524,224	+21.6
Unit Average	2,495	1	39,222	47,677	8,455	+21.6

For obvious reasons, the average grant per municipality in this category of developed units would increase from $39,222 in 1971 to an estimated $47,677. This represents a growth of only 21.6 per cent as compared with 121.8 per cent in the case of the 47 undeveloped units.

Taken as a whole, the general assistance grant would thus distribute the following amounts to the different categories within the municipal system:

TABLE 8-16: General Municipal Assistance Grant Distribution and Population Ratios, by Category of Municipality

	1971 Population	% of Population	Average General Grant (Per Capita)	Total General Grant	%
			$	($ thousand)	
Cities	114,411	27.4	21.50	2,459.8	30.9
Developed Municipalities	154,718	37.0	17.75	2,956.0	37.2
Undeveloped Municipalities	51,546	12.3	17.50	901.6	11.3
Units not in Sample	97,469	23.3	16.75	1,632.6	20.6
Total	418,139	100.0	19.00	7,950.0	100.0

Because of the weight of the sliding per capita base rate, ranging from $9.00 to $15.00, in the three-part formula, the general grant has a very slight distributive bias toward the developed municipalities and away from the undeveloped authorities in the sample. The approximately 180 units not included in the sample have an average population of approximately 500, only 20 of which would fall into the category of developed units. It is considered that the average general grant payment to this category would average $16.75 per capita, and require an amount of some $1.6 million. On this estimate the total grant would amount to $8.0 million.

The Commission recognizes that some units among the developed category both within and outside the sample units (not currently using the real property tax) will require a supplement to their general assistance grants in order to guarantee them an amount of provincial payments equivalent to those they currently receive. The amount of this interim assistance is impossible to estimate accurately for the current year, for reasons already indicated. But it could require an additional $1 million or perhaps more. The Commission considers that the best method of dealing with this anomaly in respect of the budgets that depart from normality would be as follows: (1) to forgive that portion of the annual debenture payments on water and sewerage systems equivalent to the difference between the general assistance payments and the regular grants received by these units under the present system; or (2) to provide temporary addition to the general assistance grants in order to make up the difference.

These interim arrangements are required - if it is agreed that the new grant system should deliver to each municipality an amount not smaller than it receives under the current arrangements — as a consequence of the budget distortions produced by water and sewerage subsidies authorized in recent years in respect of municipalities not now using the real property tax. As we indicate in Annex B below, the level of these distortions is now so great that no general scheme of replacement grants could be found which would have an equitable impact upon these budgets and those with the more regular fiscal patterns found particularly among the undeveloped category of municipalities or among the real property tax towns. It is assumed, however, that these interim adjustments would be required only until the units receiving them had their assessments completed, whereupon they would impose their own real property tax systems and thus become eligible for the tax incentive grants. During this interim period, moreover, the amount of this special and temporary compensation should be fixed during the first year in which the general assistance programme is introduced. It should in all cases remain at that level until the recipient municipality later becomes eligible for the tax incentive grant.

(e) *Illustration of Proposed Grant Impact on Towns Using Real Property Taxation*

The Commission next illustrates, with reference to the 1971 non-city sample, the assistance and the tax incentive grants proposed in this chapter. The illustration is confined to those developed units using the real property tax. The details are set out below in Table 8-17:

Table 8-17: Combined Grant Impact on 19 Towns Using Real Property Taxation, 1971

	Population	General Assistance Grant Yield (Per Capita)	Tax Incentive Grant Yield (Per Capita)	Total Amount	Approx. Regular Grants, 1971
		$	$	$	$
1. Baie Verte	2,397	17.50	7.25	59,325	60,524
2. Carbonear	4,732	19.50	6.78	124,356	86,453
3. Channel - Port aux Basques	5,942	18.75	10.67	174,813	88,595
4. Clarenville	2,193	17.75	17.37	77,018	45,329
5. Deer Lake	4,421	20.00	12.37	143,107	97,217
6. Freshwater	1,562	18.00	4.80	35,613	20,821
7. Gander	7,748	20.25	42.26	484,327	92,976
8. Grand Falls	7,677	20.50	27.34	367,267	93,582
9. Happy Valley	4,937	20.00	10.88	152,454	88,471
10. Harbour Grace	2,771	20.50	7.43	77,394	55,586
11. Lewisporte	3,175	19.50	8.22	88,011	101,504
12. Marystown	4,960	19.75	7.16	133,473	79,360
13. Mount Pearl	7,211	20.00	17.99	273,945	92,300
14. Placentia	2,211	18.50	6.82	55,982	32,302
15. Springdale	3,224	20.50	8.81	94,495	77,891
16. Stephenville	7,770	22.25	10.71	256,099	94,327
17. Windsor	6,644	21.25	7.90	193,672	91,753
18. Labrador City	7,622	20.50	47.10	515,247	87,576
19. Wabush	3,387	18.50	56.21	253,042	83,826

The stimulation element in the tax incentive grant is most clearly seen in the case of units making heavy use of the real property tax, particularly the larger towns of Channel-Port aux Basques, Gander, Grand Falls, Mount Pearl, and Labrador City. Those using the tax in 1971 at moderate levels would also have realized some gains had this dual system been in operation. In a few instances, grant levels were already so high in 1971 that the proposed formula would not have represented any gains. Baie Verte, for instance, would have received approximately the same level of assistance. Lewisporte, on the other hand, would have received slightly less under the proposed dual system than it actually received in regular grants.

The Commission points out, however, that there is an easy adjustment possible for units in the latter position. By shifting more of their local tax efforts away from the over-emphasized flat-rate levies (service fees and monthly water rates) toward the real property tax, they immediately become eligible for greater tax incentive grants. For reasons indicated in the previous chapter, the Commission considers that such adjustments would result in a more beneficial distribution of tax burdens within the entire municipal fiscal structure.

While the information in Table 8-17 provides a detailed illustration of how both grants in combination would have related to 1971 budgets of all major towns using real property taxation, it is quite unrealistic with reference to current (1974) budgetary situations. In 1971 these 19 units, together with the remaining non-city municipalities using the levy, raised approximately $1.9 million from this form of taxation. The Commission estimates that in 1974 they will realize some $2.9 million from this source. This last amount, in fact, is built into our previous estimate of the cost of the tax incentive grants for 1975.

(f) *Technical Aspects of Grant Proposals*

The Commission wishes to conclude its summary of these first two grant proposals with a comment on their technical bases. The formula upon which the general assistance grant is grounded provides a basic allocation scaled directly to population. As population rises beyond the 650 level the rate increases from the initial $9.00 through the various size groups and culminates at $15.00 for all units above 6,000. This basic rate scale can be adjusted upward or downward by the decision of government. The full dollar rate interval could also be reduced as between each size group, thereby bringing the actual grants distributed closer together than is proposed in this report. It is also possible that a flat-rate allocation, involving a fixed dollar amount, could (as in Manitoba and more recently in Nova Scotia) be distributed to all municipalities regardless of their size differences. Each of these options has been examined in terms of its impact on local budgets; each has been rejected in favour of the method recommended in these pages.

A second feature of the general assistance grant formula provides a social assistance supplement. The weight of this part of the formula in its overall structure could be increased or decreased. This S.A. supplement is intended to build into the general grant an element of equalization. *Its use has been forced by circumstances rather than by deliberate choice.* There are, as we have seen, some instances where municipalities with low community income per capita also report low relative social assistance payments. Conversely, there are some cases where towns with high incomes report above average levels. In Chapter 6 it was shown that short- and long-term social assistance payments per capita correlated with income per capita at only the −0.40 level. In the absence of a province-wide assessment system, upon which equalization payments could be scaled inversely to equalized assessment per capita — as is now provided in New Brunswick, in Ontario's recently announced "resource equalization grant," and in Alberta's new (1973) municipal assistance grant programme — no other measure was available. Since they are based on inter-municipal estimates of real property values per capita, those mainland equalization methods are superior to the one proposed here. But such systems of compensation will not be possible in Newfoundland until all real property is assessed for local tax purposes. Income per capita might also be considered as an indicator that would be preferable to social assistance payments. This could be the case if adequate measures of municipal personal income were in fact to be had. But they cannot, in our opinion, yet be obtained with a degree of accuracy sufficient to enable their use in this manner.

In Chapter 6 we have discussed this point and indicated that the present income information provides only a very rough indication of inter-municipal income variation. *We believe, in any case, that the incidence of social assistance payments is by itself an important indicator of municipal taxable capacity.* We have accordingly chosen this measure in lieu of others. There is, unfortunately, strong reason to believe that the present estimates of social assistance payments are inaccurate. It is recommended, therefore, that officials of the Department of Social Services be asked to supply annually the information on short- and long-term assistance payments that is accurate with respect to local boundaries. This information, based upon actual total social assistance outlays made during the previous twelve-month period, should be available to the Department of Municipal Affairs and Housing not later than August 15th in each year. *The reason for this last recommendation arises from the need to calculate precisely local grants available to all municipalities in the autumn, well before local councils begin their annual budget preparations. This procedure is recommended in Chapter 12 below, where an entirely new municipal budgetary process is specified.*

Little comment is required on the matching formula proposed for the tax incentive grant. If it is considered excessive it could be altered either positively or negatively with respect to real property tax collections. We have examined the budgetary impact of this proposed grant at different levels of intensity. We have also scaled it to the income of municipalities. In the end, however, we have opted for a matching, dollar-for-dollar formula. These formulas, or some variation of them, appear to the Commission to provide an adequately flexible framework within which to provide fiscal assistance to municipalities.

There is one final technical point, however, which should be considered. It is a feature of the proposed general assistance grant that it be keyed to use of official census population data for 1971. These indicators, we believe, should remain in use for grant calculation purposes during each five-year intercensal period. Our recommendations in respect of the general grant would not be practical if any other rule were followed. Attempts to provide un-official estimates of annual population changes in 300 municipalities would prove to be quite unworkable and would lead to great inequities. If *major* changes in a municipality's population do occur during any five-year period, the Province under explicit procedures should consider only a retroactive adjustment, pending the receipt of subsequent official census population estimates. This latter method of adjustment is used in the Province of Manitoba in connection with its unconditional municipal grant system. We recommend its use only in those exceptional cases where population change occurs on such a scale that any failure to provide retroactive compensation would constitute inequitable treatment. The Minister should have final discretion in this matter.

(g) *Municipal Capital Projects Grant*

Earlier in this chapter, reference was made to a number of provincial capital assistance programmes that have emerged in recent years. Under these arrangements, the Province and its municipalities share the cost of local capital undertakings, notably street paving, equipment purchase and recreation projects. Although it is not the custom to provide such assistance by way of grants in most other provinces, we consider that in Newfoundland's unique circumstances there is some justification for a continuation of these stimulation grants in a strictly limited number of areas. We have recommended, however, that in all cases the practice of cost-sharing should be retained.

The Commission does not consider it appropriate to specify an elaborate set of criteria which should govern the manner in which the Province allocates its capital resources among these competing uses. It does believe, however, that there should be much more integration of decision-making as it relates to all local capital projects. The present arrangements, particularly as they relate to local water utility development, are completely unsatisfactory. As has been indicated earlier, decisions to proceed with capital assistance of this kind have traditionally been taken by the cabinet after the needed amount of the long-term subsidy has been estimated by officials. Authority to proceed by way of interim bank loans is next given. This procedure has been developed to enable construction work to get under-way, pending the ultimate sale of the municipality's debentures to the Newfoundland Municipal Financing Corporation.

It has become apparent that an increasing time elapses between the initial decision to provide assistance and the time when the Province must begin its subsidy payments. Many of the decisions authorizing local projects in 1971, for instance, are only now beginning to make their fiscal impact apparent in the current estimates of the Department of Municipal Affairs and Housing. We have noted that the vote for water subsidies has increased from $1.9 million in 1970-71 to nearly $7.0 million in 1974-75. The Commission does not believe that in the recent past these important decisions have been given adequate consideration, either in the light of the Province's longer term capital borrowing policy or even in relation to the capital budgets of recipient municipalities. Capital budgets at the local level, in point of fact, rarely even exist in Newfoundland. If our main proposals respecting grants were implemented, and the special allocations were terminated, local authorities would thereafter be required to adapt to a new environment in respect of water and sewerage utility development. In recent years the Province has in some instances been making capital grants to them for this purpose, as well as authorizing interim bank loans and purchasing their debentures. Under our proposals, the former practice would cease completely. As we have indicated, the subsidy arrangement should hereafter be replaced by a municipal tax incentive grant which would be payable only upon the local imposition of real property taxation. A continuation of the traditional subsidy arrangement, however, would probably be required as a transitional measure in some instances pending the completion of real property assessments. But the Province would ultimately make no further capital *grants* in respect of local utility development. All such funds would be borrowed by municipalities and there would be no "special" assistance available by way of current grants to meet interest, loan repayment or debenture maturity requirements associated with municipal capital obligations on behalf of utility development.

Municipalities would in this manner be expected to assume their direct responsibility for local utility development and a much greater accountability for its financial consequences. Upon making application to the Municipal Capital Projects Board, in accordance with procedures specified below, they would become eligible to receive assistance from the Province only in respect of:

(a) the guarantee of local bank borrowing for interim purposes;
(b) the subsequent purchase of debentures by the Municipal Financing Corporation;
(c) technical assistance from the Department of Municipal Affairs and Housing in some cases on engineering design, tendering, and the supervision of contract execution;
(d) payment of the municipal tax incentive grant.

In other words, the rate at which the Province would in future support local utility development, should become a function of its ability: (1) to provide capital funds for the Municipal Financing Corporation, (2) to supply technical support, and (3) to increase its current allocations to municipalities in respect of tax incentive grants. It is considered that such a policy would make possible the needed integration among the municipal and provincial budgets, and reduce much of the current difficulty associated with this aspect of provincial support to local authorities.

In order to remedy the defects of existing procedures, including their wholly negative impact described below in the prevailing local budget process, we recommend the establishment of a departmental board, with a small staff of engineering, financial and planning officials, which will each year receive applications from municipalities on their capital project requirements. After hearing the applications and conducting the necessary technical studies, the board would make recommendations to the Minister in respect of municipal projects which, in its judgment, should be assisted by the Province during the ensuing fiscal year. This body should be called the Municipal Capital Projects Board. It is recommended that it be under the chairmanship of the Deputy Minister of Municipal Affairs and Housing. Its composition and method of operation are described fully in Chapter 12. The Commission also recommends that all municipalities currently receiving or applying for assistance in relation to their capital projects should be required as well to submit to this board annually a five-year forecast of their anticipated capital expenditure requirements. The Municipal Capital Projects Board should thus become the pivotal administrative instrument to be used in an advisory capacity by the Government of Newfoundland in assisting with local capital projects of all kinds. It should also play a key role in supplying advice to government in relation to the projects supported by the federal government, such as D.R.E.E. undertakings, sewage treatment loans, the Local Initiatives Programme and the Winter Capital Projects Fund.

(h) *Regional Incentive Grant*

This last grant is intended to stimulate the formation and development of regional municipal authorities in Newfoundland. As it is proposed in Chapter 13 below, the grant would be equivalent to one-half the annual cost of any established regional authority's general legislative and administrative functions, its service coordination activities, and its various programmes in respect of police, animal control, regional planning, ambulance services, land assembly schemes and other functions with an area-wide scope.

This grant would not extend to the regional authority's expenditures in respect of *municipal* services provided in (non-incorporated) districts within its territory. For these purposes it should receive the general assistance grant. Nor would the regional incentive grant apply to the many services to be supplied by the authority to municipalities and school boards. All of these expenditures should be fully recovered from the units receiving regional services. If a region provided water and sewerage facilities, for example, it would recover fully the annual cost associated with these services by levying a user charge on municipalities and non-municipal local service districts. Because the regional authority would receive this proposed incentive support, however, it could not become eligible for the recommended general tax incentive grant upon applying real property taxation within its territory.

In Chapter 12 we propose an entirely new budget-making process for Newfoundland's municipalities. A central feature of that process would involve an official communication to all municipalities late in the autumn of each year indicating in explicit terms the actual provincial support to be provided in the next fiscal year in respect of the general assistance, the tax incentive (if applicable) and all capital project or regional grants. Under these proposals it would thus become necessary to have officials of the Department of Municipal Affairs and Housing, the Municipal Capital Projects Board and the Government of the province make all their necessary calculations and decisions in time to meet the specified deadline outlined below.

8. Conclusion

It is the view of the Commission that the recommendations in this Chapter are among the most important set out in this entire report. Any prospects for further municipal development in Newfoundland, we believe, will depend in a vital manner upon the Province's ability, in consort with its local authorities, to introduce the needed budgetary reforms. System and certainty in all matters are simply impossible in government, yet a greater measure of fiscal order is clearly a prime necessity if a strong, responsible municipal system is desired in the decades ahead. With these proposals we wish to foster that strength; it is not only desirable but is also possible. To this end, it is proposed that the programme of fiscal assistance to municipalities should in the future be provided in accordance with statutory requirements, rather than in terms of administrative practice as is the case at present.

Chapter 9

Municipal Expenditure and Public Debt

The recent trends of provincial and local government expenditure and their associated public debt patterns were summarized in Chapter 3, Sections 2 (g) and 2 (h). These trends were also related to those found in other provinces. In Statistical Annex A (R-11, ii, Table A-11 below), we have examined the pattern of association which was found among expenditure, debt and municipal revenue variables. Table A-13 of that Annex also shows the existing relationships among the different categories of local expenditure, debt and provincial grants. Finally, Table A-15 of the Annex indicates the degree of association prevailing as between expenditure and debt levels and the three major service variables used in this study (i.e., water, sewerage and road pavement ratios).

1. Summary of Expenditure and Debt Patterns (Regression Analysis)

(a) *Municipal Revenues: Expenditure-Debt*

It was apparent from the coefficients presented in Table A-11 that local levels of tax utilization were related in a unique manner to levels of municipal public expenditure. Real property tax yields per capita, for example, were strongly associated with per capita expenditures in respect of general government (0.79), public works (0.85), recreation and total local expenditure (0.62). But they were not strongly correlated with protection (0.29), sanitation (0.21), utility expenditure (0.22) and debt charges (−0.04). (It should be pointed out, however, that these comparisons do not include the cost to the Province of city fire and police services.) The business tax yields per capita, by way of contrast, demonstrated generally much weaker relationships with the various expenditure series, while the fuel tax and service fee indicators exhibited virtually no coherent statistical nexus with expenditure patterns. Because of their additive features, total taxation and total local revenue yields per capita indicated progressively higher association strengths with most expenditure series, with the possible exception of the recreation outlays. The outstanding tax variable displayed a consistently positive but very weak relationship with expenditure patterns. The Commission had initially supposed that a stronger association would have existed between tax arrears and utility expenditure per capita. This latter coefficient, however, only attained the level of 0.31. *Except for the expenditure series on utilities (0.40) and on total municipal outlays (0.42), there was not a strong association between local tax effort and the various categories of local spending.* Per capita debt levels, on the other hand, correlated moderately with business tax yields per capita (0.61), and with total taxation and total local revenue (0.56). *There was evidently very little association between debt ratios and the various local revenue indicators.* The expected negative relationship appeared as between local tax effort and the debt ratio (i.e., annual debt charges as a percentage of total local revenue), but it was found to be a very indifferent association indeed (−0.20).

(d) *Environmental Variables: Expenditure-Debt*

The relationships which were found among local expenditure patterns and the eight main environmental variables are also detailed in Table 9-1. *Except in the case of expenditures per capita in respect of general government and public works (0.45 and 0.36 respectively), not even moderate correlations exist between expenditure levels and the size of municipal populations in Newfoundland.* And a thoroughly incoherent association is apparent as between all the expenditure categories and municipal population behaviour between 1966 and 1971. Only a weak-to-moderate correlation emerges when the various expenditure per capita series are regressed against the density variable. A somewhat stronger connection, however, is found when expenditure categories are related to community income per capita. *It is clear that municipalities whose citizens possess above-average income do tend to spend relatively higher amounts on general government (0.64), recreation (0.61), protection (0.60) and public works (0.58). But it is significant that utility expenditure and annual debt carrying charges in 1971 are not coherently related to levels of municipal income (0.07 and 0.12 respectively).* This pattern is consistent with our earlier findings (Chapter 8) regarding the distributional impacts of provincial grants and the service levels actually achieved in Newfoundland's municipalities. There is, finally, an indifferent (and negative) connection between the various expenditure categories and short- and long-term social assistance payments per capita.

When the association between debt levels and the environmental variables is examined, it becomes apparent that *although the level of outstanding debt per capita is reasonably associated with municipal population size (0.64), the debt ratio has no coherent statistical relationship with local population levels (0.04).* Neither are the debt measures systematically connected with the intensity of population change. Again, while local public road mileages are moderately associated with municipal debt levels per capita, they manifest no statistically significant relationship with local debt ratios. *Finally, it is evident that there are uniformly negligible-to-weak connections between debt levels and the income and social assistance measures.*

2. Municipal Expenditure and Debt Per Capita (Breakdown Analysis)

(a) *Municipal Expenditure Per Capita*

Although the Commission has executed a series of further analyses on these expenditure and debt measures comparable to those performed in respect of the local revenue and grant variables, it is not considered necessary to include in this report all the results of those more detailed investigations. We have taken comparative expenditure patterns into account when formulating our general proposals relating to future provincial financial assistance on behalf of municipalities. But, for reasons indicated earlier, we have not (except in the case of regional incentive grants) seen fit to base those proposals upon municipal expenditure behaviour patterns as they were revealed in the 1971 survey of local budgets. Rather, we have grounded our recommendations in this important sector upon population level, short- and long-term social assistance payments, local road mileage, and real property tax yields.

In the interest of supplying a complete public account of its fiscal investigations, however, the Commission includes the computer breakdown results of various series in the expenditure and debt sectors. Table 9-2 presents the information obtained from 116 audited 1971 municipal budgets relating to expenditure per capita among the seven major spending categories. As before, this information is set out in terms of averages unweighted with respect to local population, and is distributed by type of municipality, population size, census division, density group and income category.

Table 9-2: Municipal Expenditure Per Capita by Municipal Category: 1971 Sample (Unweighted Averages)

Municipal Category		General Government	Protection	Public Works	Sanitation	Recreation & Community Services	Utilities	Debt Charges
		$	$	$	$	$	$	$
Sample Average	(116)	4.73	3.60	7.55	3.35	1.60	4.95	13.81
Unit Type								
Cities	(2)	16.38	8.68	25.12	7.85	4.38	6.67	29.23
Towns	(74)	5.28	4.35	7.70	3.64	1.55	6.73	18.44
Rural Districts	(5)	2.73	0.89	4.81	2.84	0.05	3.49	10.38
L.I.D's.	(19)	4.12	2.38	8.24	2.86	2.96	2.21	6.24
Communities	(16)	2.04	1.80	4.71	2.17	0.35	0.25	0.58
Population Size								
Less than 1,000	(49)	3.35	2.36	5.22	2.57	0.65	1.20	4.71
1,000 - 2,499	(40)	5.01	3.05	6.86	3.16	1.01	5.43	19.19
2,500 - 4,999	(16)	6.07	5.62	10.50	4.63	2.89	13.47	22.53
5,000 and above	(11)	7.84	8.21	16.17	5.63	6.09	7.53	22.13
Census Division								
Avalon Peninsula	(32)	4.47	4.16	6.44	3.43	1.31	2.89	9.60
Burin Peninsula	(6)	7.17	4.26	6.20	2.69	1.20	6.60	39.33
South Coast	(10)	3.33	1.24	5.26	3.16	2.61	3.02	15.17
St. George's Bay	(8)	3.59	3.85	2.21	2.67	0.37	4.66	6.61
Humber Valley	(9)	4.80	2.96	9.81	4.47	1.49	3.44	10.25
Central Nfld.	(8)	4.88	5.66	8.38	5.45	2.51	13.39	30.21
Bonavista Bay	(12)	5.15	3.99	6.70	3.01	0.39	5.14	14.67
Notre Dame-Green Bay	(18)	4.32	2.67	8.19	2.86	1.26	4.48	10.01
Northern Pen.	(7)	4.13	1.78	8.85	1.86	0.42	6.85	11.27
Labrador	(6)	8.21	5.93	19.56	4.18	7.30	7.79	13.87
Density Category								
Missing	(2)	2.84	4.22	2.92	2.56	0.51	2.17	17.51
Lowest	(33)	3.73	3.15	5.50	3.26	1.05	2.32	5.89
Low-Medium	(47)	4.50	3.02	6.24	2.79	0.69	4.53	15.25
High-Medium	(32)	5.85	4.94	10.98	4.27	3.48	8.78	19.62
Highest	(2)	10.45	2.53	21.87	4.10	3.18	-	14.44
Income Category								
Missing	(42)	2.71	1.58	4.67	2.50	0.61	1.60	4.33
$ 0 - $ 999	(20)	4.03	2.77	7.41	2.24	0.42	3.57	6.45
$1,000 - $1,299	(14)	5.21	3.27	6.54	2.64	0.71	5.20	29.38
$1,300 - $1,499	(14)	5.22	4.43	6.30	4.05	1.27	12.80	23.59
$1,500 - $1,799	(13)	5.19	5.36	7.84	4.16	3.56	8.45	21.99
$1,800 and above	(13)	10.79	9.13	19.24	7.00	5.99	5.69	20.32

It is evident from Table 9-2 that municipal outlays on "general government" during 1971 were more than three times higher in the cities ($16.38) than in the towns ($5.28), and that town spending in this sector was more than double the per capita level recorded in the local government communities ($2.04). (Local spending on "general government", it should be indicated, includes the various costs associated with the operation of the councils and the expenditures made on behalf of staff salaries and other normal municipal administrative expenses.) Expenditures per capita under this heading naturally tend to increase in sympathy with the rise in local population and with density. During 1971, they were highest in Labrador ($8.21) and lowest in the South Coast ($3.33) municipalities, while the average for the sample stood at $4.73. It is clear that when they are averaged in this fashion, general government expenditures tend to vary directly with municipal income levels. But the average ratios for the three income groups between $1,000 and $1,800 per capita are almost identical at a level of cost over $5.00.

Most of the remaining expenditure categories display a behaviour pattern which could be predicted. Outlays on behalf of protection, local works, sanitation and recreation tend to be higher on the average in the cities and towns, and in the larger, more densely populated and the more affluent municipalities. Expenditure per capita on water and sewerage utilities, however, requires a careful interpretation. This series displays a considerable unevenness with respect to both population size and community income levels. But that pattern is to be expected; it is a reflection of the impact on local budgets of water and sewerage subsidies and of special grants noted previously. All of these averages, however, contain substantial degrees of variation within themselves. They should be interpreted only in the context of the general patterns of statistical association presented earlier.

For the record, we present in Table 9-3 the appropriate breakdown data relating to expenditure allocation ratios in 1971. These ratios will not add horizontally to 100 per cent, due to the exclusion of a residual category of "other" local expenditure.

(b) *The Cost of Municipal Debt Per Capita*

In earlier chapters we have described the pattern of outstanding municipal public debt in Newfoundland. It was established in Chapter 3 that total local public debt now includes some $45 million of provincially guaranteed debentures and another $36 million of short-term guaranteed bank loans. When it is measured in terms of outstanding dollar per capita volumes, local gross debenture debt in Newfoundland is extremely low by Canadian municipal standards. The most recent intermunicipal comparison which could be undertaken (1970) suggests a long-term borrowed amount in excess of $75 per capita of municipal population in this Province. This amount contrasts with rather more than $400 per capita then outstanding in respect of all ten Canadian municipal systems. The reasons for this difference obviously stem from the late development of local governments in this Province, combined with their comparatively restricted local service functions. It follows, therefore, that the purely municipal share of all outstanding public debt in Newfoundland is much smaller than the equivalent proportion in most other provinces. Short-term local borrowings per capita in Newfoundland, on the other hand, are estimated at present to be nearly three times the national average, due mainly to the unique provincial policy, outlined in the previous chapter, relating to assistance on behalf of local utility development. The municipalities in this Province also have an above-average level of interest and repayment obligations to the Federal government and its various lending agencies.

Table 9-3: Expenditure Allocation Patterns by Municipal Category: 1971 Sample (Unweighted Averages)

Municipal Category		General Government	Protection	Public Works	Sanitation	Recreation & Community Services	Utilities	Debt Charges
		%	%	%	%	%	%	%
Sample Average	(115)	13.2	9.7	19.9	11.6	3.1	6.7	20.0
Unit Type								
Cities	(2)	15.3	7.8	23.7	7.3	4.2	5.8	26.9
Towns	(73)	13.2	10.0	18.6	8.3	2.6	9.0	25.3
Rural Districts	(5)	15.3	2.6	18.0	20.2	0.7	3.8	17.8
L.I.D's.	(19)	12.0	4.8	23.1	16.0	5.0	3.4	14.2
Communities	(16)	14.1	16.5	22.0	19.1	3.5	1.6	2.7
Population Size								
Less than 1,000	(49)	14.5	10.3	20.6	15.0	2.6	2.9	12.6
1,000 - 2,499	(40)	14.5	9.5	19.5	10.3	2.6	7.2	23.6
2,500 - 4,999	(15)	8.8	8.1	15.3	6.9	3.8	15.8	31.1
5,000 and above	(11)	8.7	9.9	24.2	7.2	6.1	9.7	25.4
Census Division								
Avalon Peninsula	(31)	14.3	13.0	22.5	11.2	3.0	3.8	16.7
Burin Peninsula	(6)	14.7	8.7	12.3	5.1	2.8	8.2	33.6
South Coast	(10)	10.7	3.9	12.2	10.7	5.7	5.4	23.9
St. George's Bay	(8)	13.4	19.6	11.0	18.1	3.8	7.6	15.1
Humber Valley	(9)	12.8	6.0	19.9	25.1	2.1	4.8	15.9
Central Nfld.	(8)	6.5	7.5	10.2	7.6	2.5	15.6	36.3
Bonavista Bay	(12)	16.3	13.6	17.8	9.5	1.3	8.1	20.9
Notre Dame-Green Bays	(18)	13.8	6.2	27.2	10.3	2.7	7.6	18.2
Northern Peninsula	(7)	14.9	7.1	32.9	6.4	0.6	7.4	20.9
Labrador	(6)	10.0	4.8	18.6	12.0	8.1	6.7	11.6
Density Category								
Missing	(2)	7.9	9.7	10.3	6.2	0.9	8.8	37.9
Lowest	(32)	14.5	12.6	20.8	17.3	3.7	3.3	11.2
Low-Medium	(47)	13.4	9.4	19.3	8.6	1.9	6.8	23.5
High-Medium	(32)	11.8	7.7	19.2	11.1	4.4	10.3	22.7
Highest	(2)	15.9	3.9	38.9	5.4	3.1	-	20.5
Income Category								
Missing	(42)	13.5	9.0	22.0	17.3	3.1	3.2	11.0
$ 0 - $ 999	(20)	15.7	9.8	29.3	8.7	1.3	7.9	13.8
$1,000 - $1,299	(14)	14.0	10.6	12.8	7.3	2.5	6.8	35.0
$1,300 - $1,499	(13)	11.6	9.6	12.8	8.7	1.4	13.8	28.7
$1,500 - $1,799	(13)	8.6	8.6	13.1	6.8	5.3	10.9	32.6
$1,800 and above	(13)	14.0	12.1	20.3	9.8	5.7	5.2	21.6

The recent behaviour of provincial and local debt patterns is presented in Table 9-4.

In recent years the municipal element of the Province's total public debt has fluctuated between 4.8 and 6.3 per cent. The long-term or debentured portion of municipal borrowings (Item 5) has increased from a low point of $33.5 million in 1972 to $44.6 million in 1974. The most rapid increase, however, has been recorded in the outstanding short-term municipal bank obligations which grew from just over $5 million in 1971 to an estimated $36 million in 1974.

Table 9-4: Provincial and Municipal Public Debt Outstanding, Newfoundland, 1970-1974

Actual Dollar Amount	1970	1971 (million $)	1972	1973	1974
1. Newfoundland Total Direct Debt	402.7	504.5	584.1	795.3	878.2
2. Newfoundland Total Guaranteed Debt	283.4	312.1	397.9	322.6	338.1
3. Guaranteed Debentures (marketed privately)	19.1	18.4	17.5	16.7	15.2
4. Newfoundland Municipal Financing Corporation	17.3	16.6	16.0	30.4	29.4
5. Total Municipal Debentures (3 plus 4)	36.4	35.0	33.5	47.1	44.6
6. Short-Term Municipal Bank Loans	5.3	7.3	16.4	16.2	35.5
7. Total Municipal Borrowings (5 plus 6)	41.7	42.3	49.9	63.3	80.1
8. Newfoundland Total (Direct Guaranteed) Debt	749.6	878.1	1,040.7	1,174.5	1,270.3
9. 7 as % of 8	5.6	4.8	4.8	5.4	6.3

Source: Province of Newfoundland, *Budget*, 1974, Exhibit VIII, p. 53.

The real burden of municipal debt, however, is best interpreted with reference to its annual budgetary cost. Unfortunately, the Commission found it quite impossible to estimate the current (1974) debt levels for any sizeable number of municipalities. The budgetary impact of annual local debt carrying and liquidation costs during 1971, however, is summarized in Table 9-5:

Table 9-5: Annual Municipal Debt Charge Ratios, by Municipal Category, 1971 Sample (Unweighted Averages)

	Debt Charges Per Capita (116)	Debt Charges % Total Expenditure (115)	Debt Charges % Total Taxes (111)	Debt Charges % Total Local Revenue (110)	Debt Charges % Total Disposable Revenue (112)	Debt Charges/ Revenue and Road Grants (114)
Sample Average	13.81	20.0	83.5	75.3	23.6	1.74
Unit Type						
Cities	29.23 (2)	26.9 (2)	35.1 (2)	31.3 (2)	22.9 (2)	20.90 (2)
Towns	18.44 (74)	25.3 (73)	106.5 (69)	91.7 (68)	30.2 (66)	1.88 (72)
Rural Districts	10.38 (5)	17.8 (5)	66.7 (5)	49.0 (5)	17.6 (5)	1.13 (5)
Local Improvement D.	6.24 (19)	14.2 (19)	69.0 (19)	83.6 (19)	19.6 (19)	0.76 (19)
Communities	0.58 (16)	2.7 (6)	13.2 (16)	9.7 (16)	2.9 (16)	0.05 (16)
Population Size						
Less than 1,000	4.71 (49)	12.6 (49)	57.8 (45)	46.4 (45)	12.8 (45)	0.54 (48)
1,000 - 2,499	19.19 (40)	23.6 (40)	108.5 (40)	89.8 (40)	28.2 (39)	2.02 (40)
2,500 - 5,000	22.53 (16)	31.1 (15)	105.8 (15)	130.0 (14)	37.0 (13)	2.07 (15)
5,000 and above	22.13 (11)	25.4 (11)	67.6 (11)	71.5 (11)	34.9 (11)	5.51 (11)
Census Division						
Avalon Peninsula	9.60 (32)	16.7 (31)	64.4 (30)	55.7 (30)	15.8 (29)	2.16 (32)
Burin Peninsula	39.34 (6)	33.6 (6)	196.5 (6)	156.9 (6)	38.9 (6)	3.65 (6)
South Coast	15.17 (10)	23.9 (10)	134.3 (10)	118.3 (10)	40.5 (10)	1.94 (10)
St. George's Bay	6.61 (8)	15.1 (8)	35.7 (8)	28.8 (8)	16.1 (8)	0.74 (8)
Humber Valley	10.25 (9)	15.9 (9)	56.8 (9)	44.2 (9)	16.3 (9)	0.90 (9)
Central Newfoundland	30.21 (8)	36.3 (8)	131.1 (7)	119.6 (7)	37.0 (7)	3.25 (7)
Bonavista Bay	14.87 (12)	20.9 (12)	106.5 (12)	83.0 (12)	25.0 (12)	1.69 (12)
Notre Dame-Green Bays	10.01 (18)	18.2 (18)	64.2 (17)	46.3 (16)	19.1 (15)	0.85 (17)
Northern Peninsula	11.27 (7)	20.9 (7)	101.3 (6)	77.1 (6)	22.5 (6)	1.32 (7)
Labrador	13.87 (6)	11.6 (6)	21.3 (6)	138.1 (6)	31.6 (6)	1.16 (6)
Density Category						
Missing Group	17.50 (2)	37.9 (2)	178.8 (2)	178.0 (2)	43.5 (2)	1.78 (2)
Lowest	5.89 (33)	11.2 (32)	50.1 (33)	38.2 (32)	10.1 (32)	0.61 (33)
Low-Medium	15.25 (47)	23.5 (47)	103.9 (43)	83.2 (43)	25.9 (42)	1.57 (45)
High-Medium	19.62 (31)	22.7 (32)	86.5 (32)	97.1 (32)	33.7 (31)	2.00 (32)
Highest	14.44 (2)	20.5 (2)	26.2 (1)	23.9 (1)	17.4 (1)	19.07 (13)
Income Category						
Missing Group	4.33 (42)	11.0 (42)	50.8 (41)	36.4 (41)	10.9 (41)	0.51 (42)
0 - $ 999	6.45 (20)	13.8 (20)	65.1 (19)	51.9 (19)	15.9 (19)	0.81 (19)
$1,000 - $1,299	29.38 (14)	35.0 (14)	199.9 (14)	170.9 (14)	50.9 (14)	3.29 (14)
$1,300 - $1,499	23.59 (14)	28.7 (13)	112.9 (14)	96.7 (14)	27.8 (13)	2.54 (14)
$1,500-$1,799	21.99 (13)	32.6 (13)	98.2 (11)	94.4 (10)	38.0 (10)	1.81 (12)
$1,800 and above	20.32 (13)	21.6 (13)	41.4 (12)	93.1 (12)	31.0 (11)	4.38 (13)

Debt charges per capita attained their highest average levels in the cities ($29.23) and the towns ($18.44). They were negligible in the local government communities ($0.58). They stood at approximately the same level in all municipalities with more than 1,000 inhabitants ranging from $19.19 to $22.53. For all units below 1,000, debt charges tended to fall dramatically. Among Newfoundland's regions, debt carrying charges were highest on the Burin Peninsula ($39.34) and lowest in the St. George's Bay region ($6.61). The sample average attained the level of only $13.81. A considerable unevenness is evident in the relationship between debt cost and both density and income per capita, a fact which was earlier suggested in the weak or indifferent patterns of statistical correlation set out in Table 9-1.

It is common to suppose that local borrowing is at its maximum level when its annual service cost requires 25 per cent of all revenue intake. By that standard of comparison, municipalities in the 1971 sample averaged a debt ratio of 23.6 per cent. (Debt charges as a per cent of total disposable revenue) But it is worth remembering that this average contains a great many smaller units with virtually no debt costs whatever. It is evident that the debt ratio in the two cities (22.9%) stood well within the stipulated limit of fiscal prudence during 1971. The 66 towns, however, were above the generally accepted limit by more than five per cent (30.2%). Municipal debt ratios were highest, on the average, in the 10 municipalities on the South Coast (40.5%), and lowest among the 29 local authorities on the Avalon Peninsula (15.8%). There was an evidently weak association between densities and debt ratios and an even weaker relationship between incomes per capita and debt levels. The 41 smallest units in the sample for which community income was not obtained (i.e., "missing group") had a very low average debt ratio of only 10.9 per cent. But the 14 municipalities whose income per capita fell within the $1,000-$1,299 range had an average ratio of more than 50 per cent.

In order to relate annual debt carrying charges to purely local revenue yields, we have included the ratios which show the relationship between debt cost and both local taxation and total local revenue. It is of some interest to observe that, among the 68 towns, more was spent on the average in debt service charges during 1971 than was raised in taxation from all sources. As we should expect, the units in the two middle size groups with populations in the 1,000 - 5,000 range were particularly susceptible to high interest and capital retirement costs. These 55 units, on the average, were required to pay more for debt service in 1971 than they raised from taxation. For the entire sample (N-111), debt charges amounted to 83.5 per cent of all tax revenue. There were, however, extreme patterns of variation evident in these as in all other indicators of Newfoundland's local public finance. For the six units on the Burin Peninsula, the annual debt cost in 1971 averaged nearly twice (197%) the average total tax yield. The six Labrador communities in the sample, on the other hand, recorded extremely low debt costs (21.3%) when they were measured in this manner. The weight of debt was particularly heavy among 14 municipalities in the below-average income group ($1,000 - $1,300) where the debt-taxation ratio stood at the abnormally high level of nearly 200 per cent.

The total long-term or debentured municipal debt in Newfoundland has now reached $45 million, or approximately $106 per capita of the estimated current population (420,000) within incorporated boundaries. Short-term guaranteed local bank borrowings now amount to nearly $36 million, or some $85 per capita. This recent growth in total municipal debt obligations is bound to have a further negative impact on local budgets, in view of increased construction and money costs. Even by 1971, however, a surprising number of municipalities had assumed annual debt carrying charges that were by any standard quite unrealistic in relation to their under-utilized local taxation bases. We list below the units with the most substantial debt levels, expressed as a proportion of their total local expenditures. For the entire sample, the municipal average in this respect was only 20 per cent. But some local authorities were dramatically above that average: e.g., St. Lawrence (74.1%); Burgeo (59.5%); La Scie (57.4%); Brigus and Clarke's Beach (52.0%); Wesleyville (51.6%); Buchans - L.I.D. (50.6%). Another dozen municipalities required between 40 and 50 per cent of their total local expenditure in order to service the annual debt costs: Stephenville Crossing; Badger's Quay, etc.; Peterview; Cupids; Dark Cove-Gambo; Happy Valley; Carbonear; Bishop's Falls; St. Anthony; Glovertown; Glenwood and Gaultois. Taken together, these budgets comprised about 17 per cent of all financial statements that were examined by the Commission. Another 27 municipalities (24%) had debt service charges in excess of one-quarter of their total expenditure: Corner Brook, Grand Falls, Gander, Mount Pearl, Windsor, Channel-Port aux Basques, Marystown, Bay Roberts, Grand Bank, Springdale, Harbour Grace, Burin, Baie Verte, Placentia, Harbour Breton, Dunville, Freshwater, Ramea, Badger, Jerseyside, Robert's Arm, Triton, Pasadena, Winterton, Seal Cove, Cow Head, Belleoram and Wabana. All told, these units constituted more than 40 per cent of the municipalities surveyed. Indeed, among the towns or districts with more than 2,000 inhabitants, the Commission could discover only nine with "normal" debt expenditure levels in 1971. The equivalent number for municipalities between 1,000 and 2,000 in size was 19.

3. Summary

As with all the fiscal indicators examined in previous chapters, so the municipal expenditure and debt patterns found in Newfoundland's local public finance are extraordinarily variable. Averaged information, accordingly, should be treated with due caution, since it often bears little relation with the budgetary realities found in particular municipalities. With respect to local expenditures in general, the Commission has discovered a basic pattern in which there tends to be a strong trade-off as between utility and debt charge expenditures, on the one hand, with recreation, public works and general government expenditures on the other. This relationship, as indicated in Table A-18 (Statistical Annex A, below), is nearly linear, moreover, with high utility and debt service outlays being systematically associated with low public works and recreation spending.

Except for expenditures on utilities, there was no strong relationship discovered as between local tax effort and the seven principal categories of municipal spending. Debt ratios, in particular, were not closely related in a statistical sense to the various local revenue patterns. They were somewhat more strongly associated with the size of local budgets, but this relationship was weakened when the impact of provincial grants was taken into account. Somewhat surprisingly, local expenditure on utilities and debt service was not strongly associated with the degree of municipal fiscal dependency. Moderate-to-strong connections were found as between expenditures and water service levels, but a very weak relationship prevailed between road pavement ratios and public works outlays. Except in the case of expenditure per capita on behalf of general government and works, not even moderate correlations were obtained among local expenditure categories and municipal size. Expenditures on general government, works, protection and recreation do manifest a moderate-to-strong connection with community income per capita. *Significantly, utility outlays and debt service costs per capita are not coherently related to local income levels.*

The Commission's examination of the cost of annual debt servicing has produced one principal conclusion. It is that the cause of budget abnormality, as defined in Chapter 8, is directly attributable to the exceedingly high annual level of debt costs found in almost one-half the budgets examined in the course of the financial survey. Most provinces insist that the borrowing patterns of their municipalities bear some relation either to equalized assessment levels or to local revenue yields. The very reverse appears to be true in Newfoundland. Through its present utility subsidy and guaranteed lending programmes, the Province has clearly fostered the relative growth of local debt cost, without requiring or stimulating a fuller utilization of the available municipal tax base. In this part of the report, the Commission has attempted to devise a set of proposals that contemplate fundamental changes in this most unusual and increasingly unrealistic *municipal* fiscal structure. For it is aware that, given the growth of local borrowings since 1971, municipal budgetary deterioration is now much more substantially widespread and advanced than it was in former times.

Part IV

The Development of Municipal Institutions in Newfoundland

Chapter 10

A Strategy for Municipal Institutional Development in Newfoundland

1. Introduction

In the following chapters the Commission outlines the results of its inquiry into the institutional framework of municipal government in Newfoundland. This survey has required a broad examination of the details of much existing legislation in Newfoundland and in some other jurisdictions relating to all categories of local institutions: cities, one metropolitan area board, towns, rural districts, local improvement districts, and local government communities. It has included, outside of incorporated areas, the local road boards, water committees and the newly established waste material disposal committees. The inquiry has also demanded an examination in depth of the many functional patterns associated with municipal life: the prevailing general public attitudes toward local government, to which some reference has already been made; the operation of councils; the behaviour of local voters; the characteristics of local candidates, both successful and unsuccessful; the duration of elected and appointed tenures in elected local office; the process of municipal incorporation; and many collateral activities involving the dissolution, restructuring, amalgamation and alteration of existing municipal forms, procedures, powers, boundaries and legal status. Special attention has also been given to the following topics: the framework and mechanics of local decision-making and of municipal administration; the pattern of provincial government administrative control and supervision of local authorities; and the prevailing administrative arrangements within unincorporated areas of the Province. As required by its terms of reference, moreover, the Commission has attempted to assess the regional implications of local government and administration in Newfoundland.

Preparation of a report of this breadth and depth has required the examination of many volumes of legislation and of all the relevant files, books, documents, reports, and studies, commissioned or otherwise produced in recent years. Municipal and provincial officials in other provinces, particularly those in Ontario, Quebec, and New Brunswick, have provided unfailingly prompt and generous assistance in this respect. The Commission appreciates, in particular, the help provided by the staff of the Council of Maritime Premiers, who supplied a remarkable document on the technical aspects of municipal administration. Every official of the Newfoundland government gave members of the Commission and its research staff sustained, expert, and invaluable assistance. But a substantial information input was also directly supplied by Newfoundland's municipal leaders both elected and appointed, by numerous utility and industrial corporations, and by sundry community associations, leaders, and interested citizens. The Commission is particularly indebted, for instance, to the officers of the Newfoundland and Labrador Federation of Municipalities who commissioned on its behalf a very comprehensive study of all the critical outstanding municipal issues. To the extent that it was feasible and useful, we have summarized this vast and exceedingly complex array of information and opinion, most of which was obtained by personal interviews, by mailed questionnaire, by oral presentation at our public hearings, or by separate submission in the form of letters, briefs, telephone or private and informal conversations.

2. Primary Municipal Goals and Performance Criteria

When conducting its examination of municipal government, the Commission applied a number of tests in order to determine the adequacy or otherwise of existing structures. These tests are obviously related to certain basic ideas which it either held, or has come to hold, respecting the values, goals, purposes and objectives of local political life. Some preliminary reference to these goal patterns was made at the beginning of Chapter 2 where an outline was provided of the nature of the benefits both individual and collective that supposedly inhere in the process of municipal government or are widely regarded as being probable consequences of its activities. Confining our focus to the structure and organization of local government, as distinct from its strictly functional and financial attributes, it is appropriate once more to make a number of explicit comments on basic questions before proceeding to a more detailed examination of the Newfoundland municipal structure. Since an excellently detailed summation of these fundamentals was supplied by the Newfoundland and Labrador Federation of Municipalities in the first part of its brief to the Commission, the appropriate sections of that submission may be cited, as follows:

> **(a)** ***"Theory of Local Government***
>
> **We still have neither a comprehensive theory of government that definitely explains the roles of the various levels of a geographically decentralized system of political institutions and the powers and responsibilities that ought to vest within them, nor do we have a model for the design of an optimum framework of local institutions in respect of the basic characteristics of size (area) and decision systems . . . There are at least as many nuances in the structural-organizational characteristics of local institutions as there are provinces and types of municipalities . . . Each province has exclusive and absolute jurisdiction over the local institutions within its boundaries and each province is still actively engaged in a process of perpetual experimentation and adaptation to suit the peculiarities of its changing 'local' circumstances, be they economic, geographic, demographic or simply attitudinal. Thus local government serves as a laboratory for democracy.**
>
> **The essence of the foregoing is that the practice of local government in Canada evolved and continues to evolve in an empirical and pragmatic fashion (within the bounds of 'constitutional limits' of course). Its skeletal framework is not based on a doctrine or on a set of theoretical maxims, for Western political thought evolved no systematic theory for an areal division of political power . . . Does this mean then that the concept of a system of 'multiple governments', and local institutions in partic-**

ular, lacks philosophic substantiation? Not quite. A more or less precise ethical rationale or mooring has evolved out of the 18th, 19th, and 20 century philosophical notions about liberty, equality, and welfare respectively. These are the three basic macro-values of the democratic creed which underpin the concept of 'multiple governments'. Maas explains them as follows:

1) To promote liberty governmental power can be so divided as to protect the individual and groups against arbitrary governmental action and against great concentration of political and economic power — a restraining 'constitutional' effect.
2) To promote equality governmental power can be so divided as to provide broad opportunities for citizen participation in public polity — a democratic effect.
3) To promote welfare governmental power can be so divided as to assure that governmental action will be effective in meeting the needs of society — a service or facilitating effect.

Like all value statements, of course, these basic tenets of the democratic creed are neither refutable nor provable. But they do seem to capture the essence of our basic notions about the intrinsic worth and instrumentality of institutions of local self-government. Perceived in this light, local institutions have a 'political' *raison d'être* that transcends their 'service station' image. They fulfill a greater democratic purpose than merely that of providing material services.

(b) *Purposes of Local Institutions*

(i) *External Affairs Role*

The following may be viewed as the 'external affairs' roles or purposes of local institutions. That is to say, local institutions may be perceived as an effective two-way linkage between separate, diverse communities and the external environment. In this context local institutions could serve as important instruments in the socialization, acculturation and education of a citizenry that is spread out over a vast expanse of territory, isolated by distance and living under a wide diversity of circumstances . . .

Within the spirit of the foregoing, the purpose and role of local governments grows in importance in the modernizing, secularizing and urbanizing world about us. In the words of J.A. Corry, 'Economic individualism is becoming increasingly displaced by a mixed economy of a strongly collectivist cast. In part, it is a private collectivism of giant corporations, national trade associations, and national trade unions, which we are always being driven to try to match by extending the authority of national governments. In part it is a public collectivism in which *laissez-faire* has given way to a dispensation in which governments are many things to all men.'

This observation, uttered fifteen years ago, grows in importance with the passage of time. The continuing trend towards 'bigness' in business as well as in government has some important implications for the individual as well as for local government.

To the individual, his power to control and influence the forces that shape his environment is rapidly diminishing. Thus the claim by G.J. Washnis that 'almost all meaningful opportunity comes through institutions' is of two-fold significance. First the opportunities for individualistic entrepreneurial initiative are rapidly diminishing. The individual, the frontiersman, is becoming more and more dependent upon 'organizations' to provide him with the opportunities for the realization of his needs and ambitions in a civilized world. Second, and more importantly, the individual voice can now generally only be heard when it resonates in unison with a collective chorus. Therein lies one of the chief strategic values of local government in the modern age. To make himself heard and to protect himself from the depersonalizing forces that encroach upon and threaten his individuality, the individual must increasingly resort to institutional ... means if he is to communicate his views effectively and exert some control over his environment. He is 'forced to affiliate with and participate through organized interest groups'. In the political sphere this means that his opportunity ultimately lies in political organization at the community level. It is only at this level that the maximum opportunity will be afforded him to actively participate and it is only through 'organized' means such as these that he will be able to exercise influence.

Increasingly, individuals acting independently are unable to effectively convey their views to the provincial and national capitals let alone to the large organizations in the private sector. But acting in concert and through the formal channels open to political institutions they can wield power and influence events and decisions. Granted they can do so through means other than local governments; but local government possesses certain attributes that narrowly focussed special interest associations do not have. First of all local government is a duly constituted public authority acting in or representing the general public interest. Secondly, local government possesses the attributes of permanence, continuity and adaptability to circumstance. Thirdly, local government is endowed with certain powers of allowance and prohibition (for instance, regulation of commercial activity through licencing, regulation of land use, etc.) which interest groups do not possess ... Fourthly, even in the absence of party politics at the local level, local governments can sway political support to influence action. Within the total context of government, therefore, local governments can become both an effective means of bottom-to-top communication and an effective means of tempering big government and big business activities to the end of safe-guarding local and individual interests. In more general terms, local governments can become the means for influencing and 'regulating' the actions and decisions of the centres of 'big' power whose effects are becoming increasingly pervasive at the same time as their centres of command are becoming increasingly remote and inaccessible to the individual. In reflecting upon the purpose and potential of local governments in the modern age then, the non 'public-works' aspects of local institutions merit strong emphasis. The more rapidly Canada, as a nation, acquires the status of a post-industrial state, the more significant these aspects will become. This is true for Newfoundland no less than for the urban industrial heartland.

On a related point, there would seem to be another valid 'non-service oriented' reason for the creation of viable local institutions in Newfoundland in light of the growing preoccupation of the Federal Government with urbanism and metropolitanism. Without a viable organization and a stronger voice, the less-urbanized areas of the country will not direct or attract the federal agencies' attention. The benefits forgone could be substantial and the consequences of undue urban bias in federal policy design could be injurious. Viable organizations at the local level provide a basis for senior government 'involvement' and investment in 'community' development. Furthermore, as the role of the public sector in the economy continues to expand . . . as the interdependencies and interactions among governmental agencies and levels continue to multiply, and as inter-governmental consultative and co-ordinative mechanisms begin to emerge in response to the growing need for an integrative approach to government, the 'purpose' of local governments and need for effective local organizations will increase commensurately. In local government lies the hope of translating the slogans of 'participatory democracy' and 'participatory federalism' into reality.

(ii) *Internal or Domestic Affairs Role*

The main general purpose of local institutions in terms of the 'domestic' context is to provide the 'necessary' facilities and amenities that will serve to enhance the quality of life and of the environment in the community. These are two . . . . goals that are the concern of all three levels of government in Canada. The activities of local government that serve to achieve these goals are variegated. Clean water and adequate sewerage disposal are vital services in terms of both the public health aspects of the quality of life and in terms of the 'necessity' of indoor plumbing facilities and running water. Similarly, sanitation services and sewage treatment facilities impact upon the quality of life and of the environment. Roads, streets and bridges, drainage, fire protection, recreation facilities, facilities for the elderly; these and many other physical community services are no less vital and their provision falls within the sphere of competence of local government.

Another important purpose of local government is the regulatory one. Controlling of nuisances; regulation of vehicular and pedestrian traffic; regulation of local commercial activities and public places through legislation, licencing and inspection; control of land use and the features of structures — these are all important regulatory functions performed by local governments.

Last but not least, local institutions are important vehicles for the resolution of 'local' conflicts in the community through the formalized, civilized avenue of discussion and debate; they are the moulding for the fabric of society, for as G.J. Washnis notes,

'... among the services of police, fire, sanitation and streets, there is also the service of improving the sense of community and of individual dignity'.

It is therefore apparent that even in the 'domestic' context local governments are more than just the hollow vessels ... into which the values of the provincial government are poured. They are more than merely administrative bodies; they have important policy roles. They are 'institutions of government' in the true spirit of the phrase. Within the total context of governmental purpose and endeavour the functions of local government may indeed appear to be mundane and inconsequential. But in many important aspects the effective performance of these mundane functions is strategic to the achievement of objectives at the federal and provincial levels of government. For instance if local governments do not endeavour to make their communities attractive places in which to live and for industry to locate, federal and provincial policies to 'stimulate' and disperse growth may be rendered futile. Similarly, federal and provincial initiatives in areas concerned with the quality of life and of the environment depend in large measure for their effectiveness on the 'co-operation' of and effective administrative performance by the local level of government. Perceived in this light then, the traditional image of local government as 'hewers of wood and drawers of water' is naive and myopic. The operations of civil defence and the running of the post-office may loom enormous in dollar terms, but it is the close attention to comparativély insignificant detail at the local level that makes for a pleasant life in a pleasant and hospitable environment. As life becomes more complex and it becomes less possible to live it out within a single set of values, 'local' institutional buffers to moderate the 'shock' of change and facilitate adaptation to it become more necessary. The challenge is before local government to rise to a higher purpose. Nor does the truth of this statement lack universality, for as E.G. Mayne, a noted authority on the subject, observed, '*There is really nothing in sight to replace local government. Theoretically, one could split it into numerous distinct state services (i.e., central government); but these services would still need local administration by local people. In fact, there are few countries — even those with centralized regimes — that haven't got local government in some form*'."

Source: Brief of the Federation of Newfoundland Municipalities, pp. 1-9.

Within the framework of these very general principles, with which it fully agrees, the Commission has identified seven primary goal areas, and for each of these sectors it has developed specific criteria or standards that it has used to evaluate the present municipal structure in Newfoundland. These goal areas and their accompanying standards are suggested by the following terms: (1) access, (2) service, (3) identity, (4) representation, (5) efficiency, (6) local self-reliance, and (7) simplicity. The specified goal areas and their respective criteria, it must be emphasized, are not listed in any particular order of importance.

The *access criterion* refers to the degree to which municipal structure and organization fosters the participation of citizens in local affairs by enabling them to vote, to contest elections, to accept municipal appointments (e.g., to serve on district boards of trustees or on local recreation or special committees), to attend council meetings and to develop an interest in and a responsibility toward local questions. The *service criterion* refers to the capacity of local government structure, largely though not exclusively through its administrative apparatus, to provide the required facilities and services. The *identity criterion* concerns itself with the degree to which municipal government promotes and preserves the sense of community identity. The *representation criterion* relates broadly to the degree of responsiveness apparent in local political processes. Specifically, it is concerned with the nature and adequacy of the local franchise and electoral systems, the quality of local leadership and the pattern of its social characteristics.

There is, next, a complex *efficiency criterion* that contains both financial and structural aspects: at one level it relates to the ability of municipalities to provide more facilities or to deliver more and better services per given unit of cost; at another level, on the other hand, it refers to the presence or absence of co-ordinating instruments that facilitate citizen participation and service development within areal units or regions where the apparent advantages of scale economies and specialization in administration can be achieved. The *local self-reliance criterion* directs attention to the degree to which the basic framework of municipal law and practice fosters local independence or community autonomy in the conduct of local affairs, and in the patterns and atmosphere of provincial-municipal relations. Finally, there is an obvious *simplicity-criterion* which reflects the need to keep local governmental structures as simple in design, as direct in operation, and as understandable to the citizen as may be possible.

It will be apparent at once that the application of these criteria as tests will not provide any absolute standard for the evaluation of Newfoundland's municipal structure. Clearly, moreover, the standards outlined above are related to one another in such a manner that success in achieving some of their values implies the necessity of failure in achieving some others. A municipal structure that in practice is designed essentially to serve the ends of service and efficiency, for instance, will probably have to purchase these values at a cost of the competing values inherent in the goals of access, identity and simplicity. Achieving high standards in the efficiency and service goal areas, furthermore, may lead in practice to considerable erosion of local self-reliance, or perhaps to deterioration in the standards of representation.

What particular weights, it may be asked, ought to be attached ideally to these seven criteria? The answer to this question obviously depends upon individual preferences and practical judgements. At any rate, we know of no calculus that will assign a mathematically "correct" weight to their competing values. It is the Commission's view, however, that in practice there should always be a reasonable probability of obtaining some balance among all these values in any adequately designed municipal structure. The value "trade-off" patterns apparent in any structure, we believe, should not be excessive. It is also recognized as well, that some values, to a greater extent than others, are more directly influenced by environmental considerations over which human control is minimal. Whatever the actual policy intent may be, for example, cost efficeincy in many service areas will likely increase in proportion to an increase in the size or density of the municipal population, at least up to some optimal level. This is a matter of arithmetic rather than of human purpose. Accordingly, a great many spatial, demographic, economic and fiscal constraints will influence the value-balance actually possible in any particular municipal structure. And, lastly, the nature of the services demanded and actually delivered will exert a critical influence in this matter.

3. Community Identity and Structural Simplicity

What broad picture emerges when these standards are used to evaluate the design and working of municipal government in Newfoundland? In the first place, it is observed that throughout its development provincial policy towards the Newfoundland municipal system has tended to give strong and abiding priority to the goals of community identity and structural simplicity. Incorporation has rarely been imposed upon communities; it has generally been grounded solidly in the principle of "local option" as expressed in petitions, plebiscites, and agreement at community meetings. Even where more complex municipal structures were badly required, as in the St. John's urban region, they were not introduced. Nearly two decades ago, in fact, a technical study on municipal needs in the capital region was commissioned. But the proposals which emerged from that inquiry, undertaken by the British Engineering Company, and which contemplated a regional structure of government, were never implemented. Serious problems of a structural nature involving heavy urban spill-over in high growth areas have existed for some time in Central Newfoundland, in some parts of the Burin Peninsula, in the Humber Valley region, in the greater Stephenville area, and in at least two locations within Labrador. As we have indicated in Chapter 1, some measure of progress with respect to these problems has been recorded in the years since 1969. But their emergence and duration as problems has been mainly a consequence of a clearly systematic emphasis upon values of local option and identity, and of structural simplicity.

Yet the Commission is not certain that the strong emphasis upon these traditional values has impeded municipal development in the Province, at least as it is measured by the very high rate of recent incorporations among smaller, more isolated communities. The general results of our public attitude survey have shown very pronounced patterns of community identification in all regions of the Province. Even in unincorporated areas there is a strongly positive preference for municipal organization. Nearly 78 per cent of our respondents, for example, appear to suggest that they consider it desirable for the entire population of Newfoundland to be brought within municipal boundaries. But it seems equally clear that 60 per cent of the sample also favours a continuation of the present single-community, simply designed incorporation system as compared with any structural alternative involving a more complex system of local authority.

A great many communities, perhaps the majority of them, are really outside the pull of the major urban growth centres. For these more isolated units the pace and dislocations of growth, together with the hazards of increasing density, have often been considered less pronounced and less nettlesome, notwithstanding the sometimes devastating incidence of hepatitis and other consequences of concentration. These particular circumstances of attitude and condition undoubtedly provide an explanation of the government's traditional unwillingness to grapple systematically on a province-wide basis with the emerging dislocations and dangers associated with rapid urban development. It seems probable that its *laissez-faire* posture in this latter respect conforms broadly with general preferences, particularly those in the smaller, more isolated and less concentrated population centres. The basic problem, however, lies in this fact: with the passage of time, the on-going process of urbanization, affecting a growing proportion of the population, generates local demand patterns and environmental problems even in smaller communities that cannot be effectively, let alone efficiently, accommodated by a municipal structure so thoroughly geared to an emphasis upon the traditional values.

The result of this study leads us to the conclusion, therefore, that a major change in the direction of public policy respecting the traditional incorporation process is now required. The scope and technical nature of the changes recommended are indicated below.

4. Representation and Access

The second goal area to which we have directed attention involves the representation and access processes of local government. We have concluded that with a single major and a few minor exceptions, the municipal structure as it presently exists appears well designed to foster the important values of adequate access and effective representation. Indeed, it is believed that the shortcomings which appear in this sector are in general due much more to negative public attitudes, and to some obvious behavioural lapses, than to structural-procedural defects of a technical nature. Some indicators in this area, for instance, voter participation rates in municipal elections, are relatively favourable by Canadian standards. This is particularly true in the older and larger municipalities of the Province. The results of the Commission's studies also show that there has been a tolerable balance in the occupational characteristics of local elected leaders and in the relationship between long and short tenures in elective municipal office. At the same time, some weakness is suggested by the traditionally high incidence of elections by acclamation and by the need to have the Minister appoint councillors in some instances. The 1973 general municipal elections, however, appear to indicate some general improvement in this respect as compared with local performance in the past.

The major single deficiency in this sector, in the Commission's view, constitutes a critical structural defect in the municipal system. We refer to the very rapid growth of non-elective local improvement districts. Legislative provision for these bodies, which at present number almost 60, was intended initially to enable the government to deal promptly and effectively with the hazards produced by growth or density situations in newly established and often isolated communities, particularly those in the vicinity of military bases and in some company towns. Here, indeed, we find a classic instance of "goal displacement". For it now seems clear that government has moved well beyond its original purpose in incorporating these districts and appointing their boards of trustees. The rates of turnover among the appointees, moreover, appear to be very low. The suspicion is thus created that the Province has tended to appoint board members only when incumbents die, become incapacitated, express the wish to retire, or leave the community. In the very nature of things, and in view of the number of units involved, such practice appears to be inevitable. Among the 143 respondents in our attitude sample who lived in these local improvement districts, fully 90 per cent expressed a preference for elective municipal government. *The practice of establishing these quasi-municipal units should be confined in all instances to rare and wholly exceptional cases. Most of the existing districts, in fact, should be converted as quickly as possible to town or community status. Their present number, in our view, is approximately ten times larger than it ought to be. A recommended procedure to be followed in achieving this objective is detailed below.*

5. Municipal Service and Efficiency

Turning to the next goal sector, we apply the service and efficiency criteria as tests of the adequacy of Newfoundland's existing municipal structure. It was indicated in Chapter 5 that municipal citizens and leaders in this Province, including provincial officials, have what can only be called a massive preoccupation with their local expanding service needs, with the technical aspects of municipal services, and with the increasingly complex fiscal and administrative consequences of rapid municipal development generally, under stringent conditions of resource scarcity. Notwithstanding this fact, across all provincial and municipal decision and implementation arenas we have found, in most instances, grave shortcomings with respect to service and efficiency values. It is believed that this condition flows inevitably from the traditional *laissez-faire* policies in regard to municipal incorporation, from the rate at which units have been organized in recent years, from prevailing high levels of economic and urban growth, from the heavy recent infusion of federal capital funds under various programmes, from deficient local administrative practice, from resource limitations at the provincial level, and from an increasingly discretionary element in the provision of steadily growing provincial support for municipal capital projects.

We have reached the general conclusion that the Newfoundland municipal system is neither properly designed nor adequately staffed to achieve satisfactory performance levels in relation to either the service or efficiency criteria. The same judgement could undoubtedly be pronounced upon all municipal systems, but the Newfoundland standards in this area are at very low levels. It seems clear, for instance, that both the capacity and the willingness of communities to supply a portion of their own service requirements has received decreasing emphasis in recent years. Deterioration at the local level in this respect has been accelerated by actions and policy at the provincial level. Apart from the major DREE infrastructure projects confined until recently to the larger special-area towns, there is little evidence that the allocation of capital funds has been controlled by strategies aiming at the achievement of scale economies. In fact, the operative strategy, so far as it can be determined, has often appeared to work in the opposite direction.

There has been no development of institutional and administrative arrangements at the local and regional levels that would help to improve the division, balancing, and pooling of available but severely limited capital and technical resources. To an increasing degree, elected lay municipal officials have had to wrestle with technical problems either with inadequate or virtually no administrative and engineering support staff. In one notable instance, on the other hand, statutory changes were required to prohibit elected councillors from interfering, in their capacity as individuals, with the technical and administrative tasks assigned to appointed officials by prior decisions of the council. Many major local capital projects have been improperly designed and poorly supervised. This deficiency has caused recurring subsequent operating cost and service inconvenience problems. For apparent budgetary reasons, the technical services provided by the Province have not grown in proportion to municipal development and its expanding needs; and until quite recently virtually all of the available services and personnel were centralized in St. John's.

When advancing this highly critical evaluation, the Commission does not wish to suggest that local and provincial leaders are unaware of existing problems, nor that there has been a systematic failure of responsibility with respect to the technical, administrative and political requirements that clearly are a precondition for improvement in the service and efficiency goal sectors. It is recognized, for instance, that within the past two years provincial officials have completed what can only be described as the most comprehensive and technically elaborate study of municipal service and other requirements ever undertaken in any Canadian province. Indeed, an imposing array of studies and proposals is now available to government, which ought to facilitate basic policy formulation for the next phase of municipal development in Newfoundland. Those studies and proposals, together with the results of the Commission's inquiry, should provide an adequate technical foundation for the needed policy departures. The various changes now required to improve performance in the service and efficiency goal sectors are outlined below.

6. Municipal Self-Reliance

The last goal area examined by the Commission encompasses the structure and atmosphere of provincial-municipal relations as they have an impact on the values of local self-reliance and independence. The different forms and behaviour patterns found in this area are unique, complex, and sometimes contradictory. Seven separate elements determining these patterns have been isolated and examined fully.

These elements contain the following special features: (1) the historical circumstances associated with the comparatively recent emergence of municipalities in Newfoundland; (2) the maintenance of a very simple, one-tier structure in which each municipal unit has a one-to-one relationship with the Province, its Ministers and their officials, all of whom have traditionally operated with a highly centralized model of political and administrative authority; (3) a formal apparatus of administrative control and supervision vesting in the Minister of Municipal Affairs and Housing legal powers whose very broad range and detailed scope are unparalleled in any other Canadian province; (4) an increasingly apparent municipal reliance upon provincial fiscal assistance and technical skill, due in large part to environmental conditions related to limitations of community size, location and resource endowment; (5) a pattern of provincial decision-making in respect of municipalities that to an increasing extent, and in a manner not typically found in other provinces, assigns very wide discretionary powers to Ministers and their officials; (6) largely as a consequence of this latter condition, the emergence during the late 1960's of an intricate structure of competition among municipalities and of bargaining between them and the Province, involving a broad range of budgetary, service, and other matters; and lastly, (7) a sub-structure of attitudes and expectations, some of which are not supportive of a municipal system biased in any substantial manner toward achieving in practice the goal of local independence.

The Commission acknowledges as a preeminent fact that in all industrial societies local communities become progressively and necessarily more interdependent in respect of each other, and steadily more dependent upon distant authority centres for resources, essential services and other values. It places no absolute priority, therefore, on the allegedly immemorial "rights, privileges and prerogatives" of local governments. But it does recognize both in symbolic and instrumental terms the value of some measure of municipal autonomy; and it finds in the Newfoundland municipal structure a number of elements that tend in practice to militate against achieving much progress in the goal area of local self-reliance.

Many local leaders, for example, see themselves not as individuals to whom power has been delegated by ratepayers for the purpose of achieving collective local goals, but as brokers between their communities and the Province. The primary test of their success is the ability to obtain grants or needed facilities without requiring local tax increases. Other municipal leaders see themselves as performing a community task that properly belongs to the provincial government and for which they receive little recognition either locally or in St. John's. In recent years this view has been used to rationalize either the actual resignation of councils or the threat to do so.

The Commission has obtained a considerable body of evidence suggesting that, except in the larger and older municipalities, the legitimacy of local government is not strongly rooted in the minds and feelings of citizens even though they usually do have a very strong tendency to identify with their own communities and their collective interests. Where this condition exists, local councils are regarded less as instruments of local purposes than as scapegoats to be criticized when things go wrong, when their decisions lead to increased taxation, or when their success in bargaining with the Province comes to be viewed as less than satisfactory. Verbal acceptance of local government in Newfoundland is now a common phenomenon — this fact is adequately demonstrated by the attitude survey — but in practice there are many occasions when local leaders receive less support from their fellow citizens than they require and often deserve. As we have shown, moreover, the strongly positive *attitudes* toward municipal life co-exist with strongly negative *behaviour* in respect of local taxation obligation. It is the Commission's view that unless minimal support of municipal leaders and of local fiscal effort can be mobilized, there is little foundation upon which to develop any real spirit of local self-reliance. Lack of adequate support at the local level, in short, inevitably contributes to a continuation of traditional patterns of provincial tutelage, since the local political process cannot be insulated from the larger provincial political process. It is inevitable, for instance, that M.H.A.'s and Ministers will continue to assume that their interests and responsibilities extend to purely local matters. This tendency is strongly reinforced when a substantial number of local citizens believe they should have "a right of appeal" to the Minister from the decisions of the local council. Only one representative at the public hearings actually recommended the introduction of such a procedure; but some people undoubtedly believe that it would be a suitable arrangement.

Moving from the local to the provincial level, the Commission accepts in principle, and as a matter of practice, the need for an adequate and unambiguous measure of supervision and control of local authorities. It also recognizes the many practical reasons which have produced the present very extensive system of tutelage. It was felt for many years that municipalities had to be very closely supervised in order to prevent either the excesses or the unwitting incompetences of councils from jeopardizing the entire process of incorporation. In this respect, the lack of local resources and the recency of municipal experience were of critical significance. A related factor, however, has been a very strong tradition of centralized provincial administration. (Since for many years the entire body of provincial administration had been subject to review in London, was it not reasonable to assume that the details of local administration in Leading Tickles West should equally be subject to review in St. John's?).

Lastly, it is worth observing that while promoting the very rapid development of its municipalities, the Province has clearly been unable to supply the required level of consultative and other services which would have fostered greater local self-reliance and reduced the need for central review and direction. It was indicated in Chapter 2 that local government must operate in a strict technical-legal framework; its practical requirements, therefore, are complex and are not learnt or assimilated quickly by laymen and local leaders. In important areas of municipal practice, such as the enactment of regulations, this circumstance produces many difficulties, particularly where there are insufficient resources to build in an adequate administrative and technical support staff at the community level. This latter condition, it is well known, has been overwhelmingly the general rule thus far in Newfoundland's municipal experience.

The Commission does not wish to minimize the difficulties inherent in this vital area. It recognizes that basic attitudes formed over long periods cannot easily be changed and that they will continue to exert their influence on behaviour. But certain formal and other elements of political and administrative structure can be altered or adjusted in ways that should make possible in the future a better performance record in this important goal sector. Strong provincial initiatives in local government, it is emphasized, are by no means incompatible with municipal democracy and autonomy. Indeed, in today's environment they are increasingly a prerequisite to the realization of these latter values. But the nature of those initiatives summarized below will require to some extent a departure from the traditional patterns of provincial inspection, supervision and control of municipal affairs.

7. Municipal Development Strategy

In the key area of municipal structure, and in a manner consistent with its recommendations respecting functional and financial matters, the Commission concludes that, for the next stage of municipal development in Newfoundland, the Province must develop a completely new orientation to local government. The approach proposed should incorporate changed policy objectives, a new municipal development strategy, different and in some cases extended programmes, and many new procedures. Acceptance of this general recommendation will require nothing short of the following major policy departures:

(1) A wholly new legal framework for local government. This proposal would require the repeal of the present *Local Government Act, The Community Councils Act, The Local Government (Elections) Act, The Nuisances and Municipal Regulations Act, The Local Authority (Control of Expenditure) Act, The Local Guarantee Act,* and *The Local Government Receivership Act*. For these statutes there should be substituted an omnibus *Municipalities Act,* which for all local authorities other than the cities would establish the different categories of non-city municipalities, delegate their powers, establish their procedures for operating purposes, provide their electoral systems and define their legal responsibilities as incorporated bodies. In addition, certain amendments to *The Department of Municipal Affairs and Housing Act* would be required.

(2) A wholly new policy and procedure respecting incorporation of communities and the alteration of their municipal status. This proposal would require a departure from the traditional principle of local option and the development of new procedures.

(3) A wholly new policy and procedure respecting municipal amalgamation, annexation and alteration of boundaries. This proposal is related to (2) above, but will have a greater impact on presently organized municipalities; it will enable remedial action to be taken in respect of problems, in a number of areas, that have arisen as a consequence of a quarter-century of municipal development based upon the principle of local option.

(4) A transformation of virtually all local improvement districts into democratically elected municipalities. In the few cases where this recommendation cannot be adopted, a suitable rotation of district board appointments should be introduced immediately.

(5) A revised formula for the remuneration of councillors to be adopted at the discretion of municipalities.

(6) The development of a new approach to the recruitment and training of municipal administrators. There is at present virtually nothing that really deserves to be described as policy in this crucial area.

(7) The introduction of a suitable province-wide pension scheme for municipal public servants. Present pension arrangements for municipal employees, as a general rule, are quite inadequate.

(8) The introduction of a system of regional government in the St. John's Urban Region and the abolition of the St. John's Metropolitan Area Board.

(9) In conjunction with (8), the enactment of a wholly new City of St. John's Act.

(10) Revision of The City of Corner Brook Act in order to ensure its conformity with the new provisions to be included in the proposed Municipalities Act.

(11) After the necessary feasibility studies have been completed, and over an extended time frame, the creation of a number of regional units of municipal government with priority to be given to the Burin Peninsula.

A specific regional system is proposed for all areas of the Province except Labrador. The Commission favours a cautious, experimental approach to the development of regions comparable to that followed by Ontario in recent years, rather than any immediate, province-wide application of a designated regional form or forms. In the beginning some municipal regions may be no more than units with area-wide general planning functions; others at quite an early stage may be assigned a broader scope of responsibility. The introduction of municipal regions, however, will require the inclusion within their boundaries of all presently unincorporated communities. It is recommended as well that outside of the St. John's Urban Region, the Province proceed with the organization of these regions singly rather than in groups. The establishment of each municipal region will require special task forces composed of local leaders and provincial officials. The introduction of regions cannot be made conditional upon acceptance through plebiscite by a majority of all people within a proposed regional unit; but it is assumed that even rudimentary regional units would not be established unless there was some reasonable support for them expressed by elected leaders in the municipalities within their proposed boundaries. Within two decades, 10 to 15 regional units should be in operation.

(12) In conjunction with the introduction of new fiscal guidelines and budgetary procedures outlined in previous chapters, the Commission also recommends a reorganization of the Department of Municipal Affairs and Housing. The central feature of this plan would require the establishment of a Municipal Services Division within the department, and the appointment of a Municipal Capital Projects Board. The first unit would be assigned the primary function of assisting local authorities with their personnel, administrative and budgetary problems. Its subsidiary tasks would be to give advice in a number of areas as indicated in Chapter 14. The second body would be a permanent board under the chairmanship of the Deputy Minister of Municipal Affairs. Its other members should consist of senior officials of the Department of Health, Provincial Affairs and Environment and Transportation and Communications. *It would be assigned the task of recommending to the Minister the municipal capital projects to be supported each year by the Province.* The board should have a full-time executive

director with a small staff of engineering, planning and financial personnel. Every municipal request for a provincially-supported capital project would require a formal presentation to this board through its staff. The board would also receive and use the mandatory local five-year capital project forecasts.

(13) Present legislative authority vested in the Lieutenant-Governor in Council to appoint councillors where none are duly elected, or where they are needed to secure a quorum, should be assigned exclusively to the Minister.

(14) Present legislative authority vested in the Lieutenant-Governor in Council respecting the remuneration of councillors, the appointment of boards of trustees, and the appointment of auditors, should be terminated. All appointments to boards of trustees should be vested in the Minister exclusively. Councils, under specified rules, should appoint their own auditors.

(15) A great many discretionary powers currently vested in the Minister should be terminated forthwith. The Commission recommends the following statutory deletions in relation to existing ministerial authority:

(a) the power to defer a municipal election for up to nine months;
(b) the power to order a bye-election whenever it is deemed expedient to do so;
(c) the power to approve the remuneration of town clerks;
(d) the power to approve the remuneration of town managers;
(e) the power to receive an annual report from the councils on the bonding of local employees;
(f) the power to approve the salaries of locally appointed assessors, collectors, engineers, superintendents of public works, building inspectors, fire chiefs, treasurers and solicitors;
(g) the power to approve municipal pension schemes;
(h) the power to approve local budgets and to require the submission of revised budgets;
(i) the power to authorize municipalities to exceed their approved expenditure budgets;
(j) the power to approve zoning regulations;
(k) the power to approve municipal decisions to establish fire departments, to operate water-sewerage systems, or a cold storage plant, to establish recreation facilities, or to hold plebiscites;
(l) the power to approve local regulations;
(m) the power to approve the imposition of certain major taxes;
(n) the general power to disallow local expenditure and prohibit local undertakings;
(o) the power to approve certain tax exemptions;
(p) the general power to disallow locally approved salaries;
(q) the power to approve municipal bus franchises.

(16) The extensive reduction of ministerial supervisory powers specified in the previous paragraph should be accompanied by the introduction of new procedures which will guarantee an adequate measure of provincial control and at the same time require greater municipal responsibility. Foremost among these changes is a new method of budget control and a new system of financial and technical services to municipalities. For their part, municipal councils will be required to assume, through the local political process, a much greater responsibility for their own decisions.

(17) Within this proposed framework, the power of the Lieutenant-Governor in Council would be confined essentially to approving the establishment and alteration in status of local governments and to ruling upon local expropriations. The Minister's powers respecting local affairs would necessarily remain extensive but would be confined to the specific areas and circumstances required to ensure the needed control. Specifically, ministerial powers in the following areas should remain unimpaired:

(a) the power to make local appointments when they are essential for the operation of councils;

(b) the power, at his discretion, to hold plebiscites in respect of incorporations, alterations of status or boundaries, and other structural changes affecting municipalities;

(c) the power to receive municipal audits;

(d) the power to receive municipal budgets and financial statements;

(e) the power to ensure compliance with municipal budgetary guidelines;

(f) the power to authorize all municipal capital borrowings;

(g) the power to ensure that borrowed monies are used for the originally approved purposes;

(h) the power to approve municipal housing agreements;

(i) the power to investigate municipal books, records, accounts and works;

(j) upon a municipal default on a debenture maturity obligation or a guaranteed loan, the power to appoint a comptroller with powers as presently prescribed;

(k) the power to appoint an administrator or commission to assume control and management of a municipality's affairs;

(l) the power to resolve intermunicipal disputes;

(m) the power to engage directly in the provision of local water and sewerage services;

(n) the power to impose "partnership budgeting" arrangements.

And, lastly, the statutory or delegated powers of other ministers respecting municipalities should remain as they presently exist.

8. Summary

In sum, therefore, the strategy proposed by the Commission would require a thorough restructuring of the legal foundations of Newfoundland's municipal government, together with a fundamental revision of virtually all *processes currently found in the sphere of provincial-municipal relations. Many of the changes recommended will undoubtedly pose a considerable challenge to provincial and local leaders. New objectives, new institutions, new procedures, a considerable number of new or adjusted provincial support programmes, and a completely revised municipal budgetary system are recommended. When devising a suitable general policy framework consistent with such a broad municipal development strategy, and when implementing the many suggested programmes specified herein, leaders at both levels of government will simply have to face and to deal effectively with the technical and political problems which are bound to emerge. The Commission has every confidence that in practice, given the Province's growing experience with municipal institutions, these latter difficulties will be resolved satisfactorily.*

Chapter 11

The Structure and Operation of Municipal Councils in Newfoundland

1. Introduction

In this chapter the Commission describes and evaluates the structure of Newfoundland's municipal councils and the procedures controlling their operations. First, there is a brief review of the main legal requirements now in effect relating to the following matters: the establishment and conversion of municipalities and their governing bodies; the nature of local corporate status; the size of councils; the municipal franchise and local electoral procedures; the terms of elective and appointive office; the conditions of council seat vacancy and the method of filling vacancies; the methods of electing mayors and deputy-mayors; the rules respecting council proceedings; the council committee structures; and the existing arrangements in regard to remuneration of councillors. Next, there is an examination of the municipal electoral system as it has functioned in recent years. Particular emphasis in this matter is given to local voter interest and participation in local elections, the pattern of interest apparent in contesting local public office, the occupational characteristics of municipal candidates both successful and unsuccessful, and the degree to which there has been an adequate rate of turnover in Newfoundland's elective municipal life. A third section of the chapter summarizes the nearly 50 proposals which were received and considered in connection with municipal councils and their operations. A final section contains the conclusions and recommendations associated with this central aspect of the inquiry. These latter proposals are set out under the following heads:

(1) the legal framework;
(2) incorporation procedure and municipal status;
(3) payment of municipal councillors;
(4) size of councils;
(5) staggered *versus* coterminous terms for councillors;
(6) municipal election processes and the local franchise;
(7) ministerial power to defer municipal elections;
(8) election of mayors;
(9) statutory power of mayors;
(10) conflict of interest and municipal corruption;
(11) council proceedings.

Lastly, there is a brief summary statement of the Commission's rationale for a general strategy of municipal reform in Newfoundland.

2. The Present Structure of Local Government Councils and Boards

The structure of municipal councils in Newfoundland is determined by four main statutes. These include *The City of St. John's Act*, *The City of Corner Brook Act*, *The Local Government Act*, and *The Community Councils Act*, together with their amendments. Also of importance are *The Local Government (Elections) Act*, and the provincial *Election Act*, and their amendments. The legislative provisions relating to these council structures are basically quite similar, but there are some important differences in detail. In the following sections of this chapter, we outline only the most relevant sections of the legislation.

(a) *Establishment and Conversion*

(i) *Municipalities*

Prior to 1949, each town in Newfoundland was incorporated by a special act of the legislature. *The Local Government Act of 1949*, the amended and consolidated version of which now governs every town, rural district, and local improvement district in the Province, standardized the procedures for the official organization of these settlements for local government purposes.

Orders for the incorporation of towns and rural districts can be made only after the Minister has received a petition signed by one-half of a community's citizens who are fully 19 years of age and who have resided in the area for a minimum of 12 months. Where more than one community is involved, there must be a petition from each. The Minister may order that a census be taken in order to ascertain the number of persons entitled to sign the petition. At his own discretion, the Minister may order a plebiscite to precede the order of incorporation, and in such a case a majority of qualified voters must approve the decision to incorporate. He may also order a special census to determine the number of persons qualified to vote in the plebiscite.

The Lieutenant-Governor in Council issues the order which establishes the municipality and precisely defines its boundaries; its area may subsequently be extended or reduced by the Minister. The Lieutenant-Governor in Council may divide the municipality into wards and define their boundaries, and fix the number of councillors to be elected in each ward.

The Local Government Act provides for the disestablishment of a community council by the Minister and the subsequent establishment of a municipality; the *Act* also provides that a municipality may be disestablished and revert to the status of a community if a majority of the town or district electors petition the Minister to that effect.

Under *The Local Government Act*, the Lieutenant-Governor in Council may by order, when he deems it desirable, establish an area other than a town or rural district as a local improvement district. He has the power to disestablish an area incorporated under *The Community Councils Act* and to establish the whole or part of it as a local improvement district. In such cases, the community council continues to function until a district board of trustees is appointed.

A local improvement district, in whole or in part, may be converted into a municipality by order of the Lieutenant-Governor in Council. The first election must occur within nine months of the order and the board of trustees continues in office until the elected council assumes office. The Lieutenant-Governor in Council, prior to the council's election may, however, revoke the order, in which case the local improvement district would continue to exist.

(ii) *Community Councils*

The organization of a community council must begin with a meeting of the settlement, called by at least five voters, at which all voters may attend. Notice of the meeting must be posted publicly. If a majority of voters at the meeting vote for organization of the settlement, a resolution may be passed indicating that the area is to be organized, specifying what services and controls are proposed for the council, and determining the size of the council. A chairman and a secretary for the meeting are elected and they send a copy of the resolution to the Minister, along with a statutory declaration and a list of councillors who were elected at the meeting.

The Minister then issues a certificate outlining the community boundaries, certifying its name, stating the services and controls to be provided by the new council, and amending any orders or certificates made under former community council legislation. He may change a community's area or its services by amending the certificate, or by revoking it and issuing a new one.

The Community Councils Act provides that a local road board area may hold a meeting in order to become a community. It also provides, as does *The Local Government Act*, that a municipality may become a community if a majority of voters communicates its approval in this respect to the Minister.

(iii) *St. John's and Corner Brook*

The cities of St. John's and Corner Brook, as indicated earlier in this report, were established by separate *Acts* of the legislature. St. John's was incorporated as a city in 1921 and was granted a charter which consolidated all previous laws and gave the city powers which it had not previously possessed. Corner Brook, which became a city in 1955, was formed by the amalgamation of the former towns of Corner Brook West, Corner Brook East, and Curling, together with Corner Brook Townsite, which had formerly been administered by Bowaters Ltd.

(b) *Legal Status*

The legislation governing all incorporated areas specifies that control and management of these areas is vested in their respective councils. *The Local Government Act* declares all municipal councils and local improvement district boards created by it to be corporations, with all the powers vested in statutory corporations by *The Interpretation Act*. Their members have all powers and are entitled to all exemptions granted to members of statutory corporations. Both *The City of St. John's Act* and *The Community Councils Act* simply state that their councils are bodies corporate. *The City of Corner Brook Act* declares the council to be a corporation with perpetual succession; the council is capable of suing and being sued in the courts and of acquiring, recovering, holding, and alienating real and personal property for all municipal purposes. Both cities have corporate seals;

that of St. John's contains the city's coat-of-arms, and that of Corner Brook is changeable at pleasure. These seals must be affixed to all agreements and documents which require such authorization and to which the council is a party. Official documents in Corner Brook are signed by the mayor or a councillor designated by him, and the clerk or a city official designated by the mayor.

(c) *Size of Councils*

The size of the governing bodies of incorporated units varies considerably. St. John's elects a mayor and eight councillors; Corner Brook elects a mayor and six councillors. A local improvement district board consists of 3-7 members, appointed by the Lieutenant-Governor in Council. The size of town and rural district councils, on the other hand, is determined by the Lieutenant-Governor in Council but must not be less than five members nor more than 10. He may increase the number of councillors if a municipality's area is increased, in which case a bye-election is ordered. If he reduces the area of a municipality, the order has effect only when the current council's term expires or when a vacancy occurs. In the case of community councils, finally, size is determined by the voters present at the first meeting, but it must fall within the range of 3-5 members. A special meeting may be held to change the number of community councillors. If the number is increased, the additional councillors are then elected; if the number is reduced, the order has effect when the current council's term of office expires or when a vacancy occurs.

(d) *Voter Qualifications*

Voter qualifications vary with each type of municipal unit, but there is a standard requirement that the voter be a British subject and not less than 19 years of age. *The Community Councils Act* and the provincial *Election Act* both specify that, for their purposes, the term "British subject" includes citizens of the Republic of Ireland!

Residence requirements are also common for all incorporated areas. *The Local Government Act* and *The Corner Brook Act* require voters to have resided in the area for three months immediately preceding the date of the election; the required length of residence in the communities and in St. John's is one year. Voters in communities must meet two additional requirements for all elections except the first; namely, that they be liable for payment of the community business tax or the community service fees, and that they not be liable to the council for tax arrears prior to the end of the previous financial year. Voters in St. John's have to fulfil two additional requirements. First, they must be enrolled on the voters list; second, they must not be disqualified under section 4 of *The Election Act*, which prohibits voting by chief electoral and returning officers, Supreme Court judges, persons held in legal custody, or persons committed to mental institutions.

(e) *Candidate Qualifications*

Most of the qualifications for candidates are similar to those for voters, but candidates usually must meet three additional requirements. For all council candidates, as is the case for all voters, the requirement is that they be British subjects, 19 years of age or over. All councils require candidates to have resided in the area for one year immediately preceding the date of the election.

Every type of local government unit requires liability for some form of taxation. Candidates in towns and rural districts and in Corner Brook must be liable for the property tax or for the municipal service fee, or be the spouse of one who is so liable. Community council candidates must be liable for payment of the business tax or the community service fee. Candidates in St. John's must be owners or tenants of listed property or the spouses of such owners and tenants. Without exception, candidates must not be liable for tax arrears prior to the end of the previous financial year.

Candidates in St. John's must meet the three additional requirements imposed on voters: they must be enrolled on the voters list, they must be ordinarily resident in the city on the day of the election, and they must not be Supreme Court judges or persons held in legal custody in penal institutions, or persons lawfully committed to mental institutions.

There also exist certain statutory disqualifications. In towns and rural districts, and in St. John's and Corner Brook, a candidate must not be disqualified by any mental incapacity. Towns, communities, and the City of Corner Brook specify that no candidate is qualified while holding a remunerative post under council payable out of community funds or employed by the council in any capacity.

If successful candidates are not properly qualified then their election is not considered valid and they are not permitted to take the oath of office. In Corner Brook, an elected candidate who is found to be disqualified is ineligible to stand for election for four years. Councillors in all incorporated areas are eligible for re-election.

(f) *Election Dates*

(i) *First Elections*

Both *The Community Councils Act* and *The Local Government Act* contain provisions for the first elections of councils. The first elections in towns and rural districts are held on a date fixed by the Minister by order, and can be deferred by him for a period of up to nine months. The first community council election is held at the voters' meeting, after the decision to incorporate has formally been taken.

(ii) *Towns, Rural Districts, and Cities (Subsequent Elections)*

For municipalities governed by *The Local Government Act*, elections are normally held on the second Tuesday in November, and every fourth year thereafter. If election day falls on a statutory holiday, the election is held on the day first following which is not a holiday. The Minister may defer an election in any municipality for a period not exceeding nine months. Provisions for elections in St. John's and Corner Brook are identical to these, except that in the case of St. John's an election may not be delayed beyond November 30.

(iii) *Community Councils*

The second election for community councils takes place on the second Monday in December next following after one year of issue of the certificate to incorporate. Subsequent elections are held on the second Tuesday in

December every two years after the second election. If elections are not held at the time described, they may be held within three months at a date fixed by the council.

(g) *General Description of Election Procedures*

The elections of councils for towns, rural districts and the City of Corner Brook are held in accordance with *The Local Government (Elections) Act*. In Corner Brook, that *Act* is followed subject to certain provisions of *The City of Corner Brook Act* and insofar as circumstances will permit. Elections in St. John's, on the other hand, are held in accordance with the provincial *Election Act* as nearly as circumstances will permit. *The Community Councils Act* merely states that elections are held at special meetings called for that purpose, and does not outline any formal election procedures.

(i) *Towns, Rural Districts and Corner Brook*

Municipal elections are held regularly every four years on the date specified by *The Local Government (Elections) Act*. A voters list is prepared at least three months prior to the election date, which may be subsequently used for any deferred or bye-elections. A public revisor is appointed and qualified voters may have their names added to the list following a public revision. Election officers may be appointed by the municipal council, but the Minister appoints officers for the first election following incorporation. The Council determines the number of polling divisions and the places for receiving nominations and for opening polls.

Where a municipality has been divided into wards by the Lieutenant-Governor in Council, elections are conducted by a returning officer and a poll clerk in each ward, and by a deputy returning officer and a poll clerk in each polling division. Where a municipality is not so divided, elections are conducted by a returning officer and a poll clerk, and polling divisions may be established by council.

Prior to an election, a council may ask the Minister to order a separate election of mayor and councillors. Where there are no candidates for mayor, the order is rescinded and the mayor is chosen by council following the election.

Candidates are nominated 21 days before election day between the hours of 8 a.m. and 6 p.m., although a later hour for closing may be specified by council. The nominations must be made by two voters resident in the candidate's ward (where applicable), or in his municipality. The returning officer gives notice of the names of the nominees. If only as many candidates for office are nominated as there are councillors to be elected, or if fewer are nominated than are needed, the clerk declares these to be elected. If more candidates are nominated than there are councillors to be elected, a poll is granted. Candidates must deposit $5 with the returning officer. The sum is returned if the candidate is elected, or if he polls not less than one-half of the votes of any successful candidate. Sums not returned to candidates are used by the council to help defray election expenses. The municipal clerk arranges for the printing and sealing of the ballot papers, and delivers voters lists, ballot boxes, ballots, voting directions, and poll books to every returning officer or deputy returning officer.

If a municipality is divided into wards, a voter votes in the ward in which he resides, but where property taxes are imposed a voter may vote in any ward in which he is assessed. But no voter may vote in more than one ward in any election. Polls open at 9 a.m. and close at 5 p.m.; hours may, however, be extended by council. Before voting, a voter may be required to take an oath. After the returning officer or deputy returning officer counts the ballots, a detailed election report is made out and signed. All documents are placed in the poll box, which is delivered to the municipal clerk; the clerk then forwards the election report to the Minister. Costs of holding elections must be met by the councils; first elections are, however, financed by the Minister.

Recounts may be requested by candidates within three days after the election. The municipal clerk notifies each candidate of the recount and may summon election officers to attend. The clerk and his assistant, and each candidate and his agent, or at least three voters of the municipality, must attend. The clerk counts the ballots, decides upon the validity of each, and declares the result. In the case of a tie, the clerk casts the deciding ballot.

The *Act* names several election offenses, and specifies penalties for them. Election officers must not advise voters on which candidate to vote for, must not interfere with the exercise of a voter's franchise, must not divulge to any person the name of the candidate for whom any voter has voted, and must not make a false election report. Persons must not vote who are not qualified to do so, nor fraudulently tender more than one ballot paper, nor offer forged certificates or receipts of taxes, nor vote under anyone else's name. Persons who are by judicial inquiry found to have intimidated voters, or who have made illegal payments to them, or who have interfered with returning officers, are guilty of an offense.

A petition complaining of the undue return or election of a councillor, or of no return or of double return, or of any unlawful act committed by an unsuccessful candidate by which a candidate is alleged to have become disqualified to serve on council may be presented to the Supreme Court by any qualified voter or by any candidate. Each petition is tried by a judge without a jury.

The Lieutenant-Governor in Council is empowered to make such regulations as he deems necessary for carrying out the purpose of *The Local Government (Elections) Act*.

(ii) *St. John's*

In each election year, before the first of October, the city clerk orders a voters list to be compiled. For the purposes of its preparation, the clerk causes an enumeration to be taken by enumerators who are appointed by him. Enumeration lists must be publicly posted. The voters list must be available for public inspection in the clerk's office, and qualified voters may have their names added to it. The most recent voters list is also used for city bye-elections. The city clerk must, either on October 7, in the case of a general election, or on nomination day, in the case of a bye-election, issue voters cards to the persons whose names appear on the voters list; and these cards must be delivered to each voter. These voting cards must be surrendered to the deputy returning officer before the voter may vote.

The city clerk may be appointed by the Lieutenant-Governor in Council to be the returning officer. The returning officer appoints the deputy returning officers and the election clerks. The deputy returning officers appoint the poll clerks. Candidates deposit $50 with the returning officer. If a candidate is successful, then the entire deposit is refunded; if a candidate polls one-half of the votes of any successful candidate, then $25 are returned. Any other monies are used to help defray election expenses. There are separate ballots for the election of the mayor and the councillors. At the conclusion of voting the deputies check all ballots, make out election statements, and send them to the returning officer. The returning officer, when all the results have been received, makes a preliminary count, subject to revision, and announces the result.

(h) *Terms of Office of Councillors*

The length of the term of office of councils under *The Local Government Act* and under the St. John's and Corner Brook city charters is four years. The length of terms of office of the community councils is two years. The term of office of councillors under *The Local Government Act* expires at midnight on the day preceding the day of the election, provided that two years have passed since the last general election was held. In St. John's and Corner Brook, councillors' terms of office expire at the end of December; the new council takes office on the first of January next ensuing after the election. *The Corner Brook Act* provides, however, that the Minister may fix another date for the new council to take office. *The City of Corner Brook, The Local Government*, and *The Community Councils Acts* all specify that councillors hold office until their successors are sworn in.

(i) *Conditions for Council Seat Vacancy*

The Local Government Act, The Community Councils Act and *The City of Corner Brook Act* provide that the office of a councillor becomes vacant at the time specified in a written resignation, or at the time when a written resignation is filed, or at the time announced at a council meeting. Such office also becomes vacant from the date on which orders are filed against a councillor under *The Bankruptcy Act (Canada)*, or on the date on which he files an assignment or makes a proposal under the *Act*. *The Local Government Act* is silent about vacancy of the seat of a trustee of the board of a local improvement district, except that the Lieutenant-Governor in Council may remove any member and appoint another, or may dissolve the entire board.

All three *Acts* specify, however, that councils may declare a seat to be vacant when a councillor ceases to be a resident of the municipality; is absent from the municipality for more than one year at a time; without leave of council neglects to be sworn into office within two months following his election; becomes indebted to council for tax arrears; or without ministerial approval accepts any remuneration from an office under the council or is employed by council in any capacity. Corner Brook's enabling *Act* specifically prohibits the contracting of any agreement with council, except if the councillor is by happenstance "a member of a contracting firm".

The Local Government Act and *The City of Corner Brook Act* make absence from council meetings for three successive months a condition for seat vacancy. *The Community Councils Act* decrees that absence from three consecutive meetings without due notice provides such condition. The first two statutes authorize a seat to be declared vacant, however, if a councillor ceases to be liable for the real property tax or for the municipal service fee; the latter requires continued liability for payment of the community business tax or the community service fee.

The terms of declaration of seat vacancy for St. John's councillors are somewhat different than those of other municipal units. Any member of the City of St. John's council ceases to be a member who: contracts with council; is absent from the Province for 12 consecutive months; is convicted in due course of law of an infamous crime; or who is declared insolvent. Those persons declared insolvent are eligible for re-election after a certificate of discharge is received. Those convicted of felonies are forever ineligible.

(j) *Filling of Council Vacancies*

(i) *Bye-Elections*

When a vacancy in the office of councillor occurs prior to six months before an election, the normal course of action in towns and rural districts and in Corner Brook is for the municipality to hold a bye-election. But an additional clause in *The Local Government Act* provides that notwithstanding the *Act*, the Lieutenant-Governor in Council may, where expedient, order an election or bye-election to be held. Where a vacancy occurs in a community, the remaining councillors call a special meeting and conduct a bye-election. In St. John's, a bye-election for a council seat takes place not later than six months after the vacancy occurs, but if two years have passed in the term of the council, it has discretion regarding the necessity of filling the seat. In the case of vacancies in the local improvement districts, the Lieutenant-Governor in Council may make the required appointments.

(ii) *Vacancies in the Offices of Mayors and Deputy-Mayors*

Except in the two cities and, as a result of recent legislative amendments, in a small number of towns, mayors and deputy-mayors are named from among the successful candidates in an election. But the different types of incorporated units have differing methods of filling vacancies in the offices of mayor and deputy-mayor. If the mayor of Corner Brook vacates office, the council selects a new deputy mayor and the deputy mayor assumes the mayor's title. If the office of deputy mayor becomes vacant, the council selects a successor. In the case of a vacancy in the mayoralty of St. John's, a bye-election is held not later than six months after the vacancy occurs. *The Local Government Act* requires that in the case of a vacancy in the office of mayor or deputy mayor, the councillors shall appoint one of their members to the vacant council office.

(iii) *Appointments*

The Corner Brook, *The Local Government*, and *The Community Councils Acts* provide that when no candidate is nominated, when fewer are nominated than there are council seats, or when as the result of an election the number of councillors is less than the required number, the Lieutenant-Governor in Council may appoint councillors to hold office until the expiration of the specified terms. He may also appoint when there are fewer councillors than are necessary to constitute a quorum. *The City of Corner Brook Act* also declares that when an election is not held within the time prescribed, or when no candidates are nominated, or when fewer are nominated than are needed, the Minister may direct that the election be held at a later date. In this instance, the old council continues in office until a new one is sworn in.

(k) *Mayors and Deputy-Mayors*

The exact position that a mayor holds in relation to the council and to his community is not always made clear by legislation. *The Local Government Act* and *The Community Councils Act* both require the mayor/chairman to preside at all meetings of council, provide that his decision on all points of order is final, and allow him to cast the deciding ballot in the case of an equality of votes (the deputy-mayor performs these functions in his absence), but further functions are not specified.

The City of St. John's Act deems the mayor to be the official head of the city for ceremonies and for civil procedures in the courts, and an ex-officio justice of the peace within city limits. The *Act* lists the mayor's duties as follows:

- to see that the laws are executed; to see that revenue is collected and expended according to law;
- as may be in his power, to cause all violations and neglects of duty to be duly prosecuted and punished;
- to inspect the conduct of all of the city's subordinate officers;
- to communicate to council all such information, and to recommend all such measures, as may be had to improve the finances, health, security, comfort, sanitary conditions, and appearance of the city;
- to preside at all council meetings; and
- to exercise all the powers and duties of the Act and its ordinances.

The City of Corner Brook Act gives fewer and more general functions to the mayor. It charges him to be active and vigilant in causing the city's laws to be executed and to make all reasonable efforts to advance and promote the aims and objectives of council. The mayor is also expected to exercise such powers and to perform such duties as are conferred by council or by *The Corner Brook Act*, or by regulation.

At the first meeting following an election in the towns and rural districts, the mayor and deputy-mayor are chosen by the councillors, unless the council had provided for a separate ballot for the mayor's election. If either of these positions becomes vacant, the councillors select other members to fill them. In the local improvement districts, the Lieutenant-Governor in Council appoints one member as chairman and the board of trustees selects the vice-chairman. They have all the powers and duties of a mayor and deputy-mayor under *The Local Government Act*.

The deputy-mayor is elected at the first meeting of the Corner Brook council; his term of office is one year and the council appoints one of its members to this office every year during its term of office. The deputy-mayor of St. John's is also elected at the first meeting of council.

The chairmen and the vice-chairmen of the community councils are elected at the first meeting following the election of councillors. These officers serve one-year terms but are eligible for re-election.

The Local Government Act and *The City of Corner Brook Act* dictate that when both the mayor and the deputy-mayor are absent, a temporary chairman may be selected by council. When both are absent in St. John's, an alternate chairman is selected; if all three are absent, a temporary chairman is appointed. In the communities, the chairman, or in his absence the vice-chairman, presides. If both are absent from a council meeting and there is still a quorum, a temporary chairman is appointed. At community meetings, when both are absent, if the council consists of three members, the remaining councillor becomes the temporary chairman; if the council has more than three members, the other councillors appoint one of themselves to be temporary chairman; if no councillor is present, then the meeting is adjourned for one week, and if no councillors are present at the adjourned meeting, the meeting may appoint a tax-payer to act as temporary chairman.

(l) *Council Meetings and Proceedings*

All councils must hold regular meetings. The town and Corner Brook councils and the local improvement district boards are required by their enabling legislation to meet at least once every three months for the dispatch of general business. The St. John's council must meet at least once a week.

Special meetings in municipalities under *The Local Government Act* and *The Community Councils Act* are held as the mayor thinks necessary or at the written request of two councillors. In the cities, notice of 24 hours has to be given councillors for every regular and special meeting. Minutes of all meetings except privileged ones are made available to the public upon written request.

Certain of the procedural rules that govern the transactions of municipal councils are very similar, if not identical. For example, in all municipal units except St. John's, a quorum is a majority of the number of councillors/trustees. In St. John's a quorum is two-thirds of the members present in the city. Every disputed question, other than a point of order, is decided by majority vote. The presiding member has the deciding ballot if there is an equality of votes on a question. Councils may regulate their own proceedings subject to their enabling *Acts*. Council meetings are ordinarily open to the public, but may be held as privileged or be so declared by a vote of council. *The City of St. John's Act* specifies that councillors are not permitted to vote or to speak upon any question before Council or a committee where their private interest is immediately concerned, where there is personal interest, or where the councillor is an agent for an interested company.

The Community Councils Act provides for a high degree of direct participation in the community's affairs by its voters. Consequently, although community councils have regular meetings which correspond to those held in other types of municipalities, the *Act* provides for special and annual community meetings. The councils have been given, subject to ministerial approval, the powers to make regulations for calling community meetings and for determining the procedures to be followed at these assemblies. Special community meetings may be called at any time by council or within 10 days of receiving a written request from 25 per cent of the community's taxpayers. Notice of these meetings must be given publicly and the business to be transacted must be clearly specified. These meetings may authorize councils to provide or to maintain services, to exercise any controls which were not previously authorized, or to abandon some existing activity. Ten per cent of voters not in arrears with respect to their municipal taxes constitutes a quorum at such meetings.

The councils fix the dates of the annual meetings of councils and taxpayers (they must be held before March 31), and a special taxpayers' list is compiled prior to the meeting. Taxpayers and their spouses may attend the annual meeting and vote if they are not in arrears of their taxes. The meeting passes upon the accounts of the last financial year, prescribes the amount to be raised in taxation and borrowing in the current financial year, and transacts all other business that the council deems necessary. Copies of the Auditor-General's report are submitted.

(m) *Municipal Council Committees*

Only the City of St. John's and the City of Corner Brook have legislation specifically providing for the establishment of committees of council. *The City of Corner Brook Act* dictates that council may from time to time appoint council committees to enquire into any matter and to report their findings and opinions to council. Subject to certain exceptions, a committee may not exercise the powers of council. But the council may, by a vote of not less than two-thirds of its members, delegate to an appointed committee, with or without restrictions or conditions, authority to exercise any of the council's powers, except the power to:

(a) adopt or revise the budget;
(b) borrow money;
(c) impose taxes;
(d) authorize expenditure of city funds;
(e) enter into any contract on behalf of the city.

The provisions for committees of the St. John's council are much more specific than those for Corner Brook. St. John's Council has the power to appoint the Quidi Vidi Park and the Bowring Park committees. These committees are assigned responsibility for the management and control of the parks, and have the power to make rules for the conduct of their internal affairs. The Quidi Vidi Park committee is composed of the mayor, who is chairman; the city clerk and the financial supervisor; three members elected annually by council from its own membership; and three members appointed by council; one being a nominee of the St. John's Regatta committee. The Bowring Park committee consists of the mayor, who is chairman, three councillors, three members of the Board of Trade, the city clerk, the city engineer, and the city comptroller.

(n) *Remuneration and Expenses of Councillors*

Each of the *Acts* governing the main types of municipal units, except *The Community Councils Act*, provides for the remuneration of councillors.

The Local Government Act specifies that the council may pay the mayor the deputy-mayor and other town and rural district councillors an annual remuneration determined by unanimous council vote, the amounts to be approved by the Lieutenant-Governor in Council. It also authorizes the Lieutenant-Governor in Council to pay local improvement district board members out of board revenues. Such payments are described in the statute as "annual or other renumeration". In the case of St. John's, a sum not exceeding $50,000 is set aside out of city funds as remuneration for councillors, to be paid in monthly installments in such amounts as council determines. In Corner Brook, the mayor and councillors are paid such remuneration as the council may from time to time determine by minute, the amounts, according to the statute, to be approved by the Minister. But as far as can be determined, these amounts are not submitted as a separate head in the city's annual budget.

"Out-of-pocket" expenses incurred by councillors in the conduct of municipal business, including travel and other costs, can be reimbursed from the council's general expense funds which cover "all other expenditures incurred in the execution of the council's powers and duties". There is, however, some uncertainty whether there is actually an adequately explicit provision enabling councillors to be recompensed for wages or salary lost due to their absence from work on council business. This point is dealt with below.

3. The Municipal Election Process, 1961-1973

Besides giving an overall view of the local government election process, the municipal elections files of the Department of Municipal Affairs and Housing provide considerable information on citizen behaviour toward municipal government, on certain aspects of candidates' backgrounds, and on general patterns of council membership. An initial examination of these files by the Commission's research staff indicated the feasibility of a study based on the following research objectives:

- to determine the extent of voter interest in municipal elections as expressed by the percentages of voter turnout;
- to determine the extent of interest on the part of persons running for municipal public office;
- to gather information on the occupational characteristics of local candidates; and
- to determine the length of time served on various councils by councillors, and more specifically, by mayors and deputy-mayors.

A notable lack of information on local elections in some of the Province's newest municipalities, due presumably to the shortness of their corporate existence, made it impossible to undertake a proper "random sampling" of towns. Therefore, in order to obtain reasonably complete information, it was decided to examine the files of 36 of the oldest municipalities in the Province. These towns, whose incorporation dates range from 1942 to 1961, are relatively well-established, and are representative of all of Newfoundland's main geographical regions. According to the most recent census figures, the "sample" incorporates all six towns in the Province with populations of 5,000 and over; nine of the 13 towns with populations ranging from

2,500 to 4,999; 18 of the 37 towns with populations ranging from 1,000 to 2,499; and three of the 30 towns with populations of 1,000 and under.

To update the available information on these 36 towns, hereafter referred to as "sample towns", and to balance any conclusions with data on some of the more recently incorporated (and smaller) ones, immediately following the 1973 general election questionnaires were sent to every town in the province asking for certain information relevant to that election. Responses were received from 31 of the 36 sample towns as well as from 38 others. The information thus received has been incorporated in this summary.

It is necessary to add at this point, however, that the data contained even in the files of the older municipalities are by no means uniform, and that the gaps to be found in several of them considerably hampered the overall accuracy of the research. For example, voter turnout was not uniformly reported until the 1969 general election. There was difficulty in,determining whether some of the early elections were general elections or bye-elections, and election results were often not fully reported. Consequently, data on elections held prior to 1953, and information on elections where the data seemed insufficient, could not, in most cases, be used.

(a) *Voter Turnout*

The first research objective was to determine as accurately as possible the percentage of voter turnout, both overall and for certain individual general elections. Our calculations were based on information contained in the standard election reports sent from the municipalities to the Department of Municipal Affairs and Housing.

Based on 82 reports in the case of municipal general elections, and on 19 reports in the case of bye-elections, overall, the average turnout percentages for elections in Newfoundland's oldest municipalities, up to and including the 1973 general election, are 49 per cent and 28 per cent respectively.

In spite of a good response to the questionnaires on the 1973 election, the general election for which voter turnout can be most accurately gauged is the 1969 one; based on data from 28 towns, the voter turnout for the latter election averages approximately 52 per cent. As this ratio differed considerably from estimates made by the Department of Municipal Affairs (ranging from 30%-49%), a subsequent attempt was made to determine voter turnout in the newer towns for that same election; the few figures which were available in the files, however, only confirmed the original turnout estimate, that of 52 per cent.

An only slightly less accurate estimate can be made of voter turnout in the 1973 general election. Based on reports from 28 of the sample towns, it averaged approximately 48 per cent. Calculations to determine the percentage of voter turnout in the newer towns for the same election, based on reports from 55 towns, showed the average turnout to be just slightly higher, approximately 49 per cent.

Average voter turnout percentages for the general elections of 1965 and 1961 are much less accurate than for subsequent ones, based as they are on results from only eight and seven towns respectively; in 1965 there was a 49

per cent voter turnout and in 1961 there was a 54 per cent turnout.

As for all general elections held prior to 1961, the twelve figures which were available pegged voter turnout at approximately 44 per cent.

(b) *Candidate Interest*

The second objective of the investigation was to determine the extent of interest people had in running for municipal public office. Reasonably complete information was available on the number of elections held by acclamation, on the number of occasions where no nominations at all were received, on the frequency of appointments to councils made by the Lieutenant-Governor in Council, and on the average number of candidates running for each vacant municipal council seat.

(i) *Elections held by Acclamation*

In the 36 sample towns (the results of the 1973 election are included), for 34 general elections out of a total of 144 (24%) for which information was available, and for 34 bye-elections out of a total of 113 (30%), entire or partial councils have been elected by acclamation. The town with the highest incidence of elections by acclamation is Burin, which has held a total of five. Burgeo, Englee, Greenspond, Ramea, Robert's Arm, St. Anthony, and Wabana have each held four such elections. Five towns have each held three elections by acclamation, eight towns have each held two, and seven towns have each held one.

Only eight communities, or less than 25 per cent of the sample towns have invariably gone to the polls. Our conclusion, therefore, is that the incidence of elections by acclamation has generally been quite high even among the older, more mature municipal units.

(ii) *Appointment of Councillors*

Section 12 of *The Local Government Act* provides for the appointment of councillors when "no candidates are nominated, when fewer candidates are nominated than there are councillors to be elected, or when for any reason as the result of an election the number of councillors is less than required." The Lieutenant-Governor in Council has had to make appointments in 14 different towns on at least 30 separate occasions, following 13 general elections and 17 bye-elections. The necessity of making appointments has been more frequent in some communities than in others: in Glovertown, Fogo and Marystown, appointments have been made in each on three separate occasions.

(iii) *Number of Nominees per Vacant Council Seat*

Calculations made to determine the overall average number of nominees per vacant council seat in the sample towns show that there are 1.6 nominees for each available post in the case of general elections, and 1.7 nominees in the case of bye-elections. The averages for the sample towns in the general elections of 1969 and 1973 were somewhat higher than the overall average; in 1969 there were 1.85 nominees per vacant council seat, and in 1973 there were 1.83. Questionnaire data regarding the 1973 general election in 26 of the more recently established municipal units indicated an average of 1.7 nominees for each available post.

There is evidently some correlation between community size and success in attracting candidates to municipal office in the 36 older towns. The average number of nominees per vacant council seat in towns with populations of 5,000 and greater is 2.1, while the number in towns with populations of 1,000 and under is .83 nominees per vacant council seat. The towns in the 2,500-4,999 population range have averaged 1.8 nominees per vacant council seat, while towns in the range of 1,000-2,499 have averaged 1.5 nominees.

(c) *Occupational Characteristics of Candidates*

The third research objective was to gather information on the occupational backgrounds of candidates in municipal elections. Data on occupations was of a general nature and usually available only for recent years. For the purposes of this report, the categories devised for the classification of occupational groups are merely rough estimations. The categories used are listed as follows:

• Professionals	(e.g., physicians, teachers)
• Business	(e.g., company directors, business managers, owners of small businesses, agents)
• Administrative & Clerical	(e.g., civil servants, clerks, postmasters)
• General	(e.g., housewives, retired persons, miscellaneous)
• Skilled	(persons who have undergone training to master a trade, e.g., mechanics, plumbers, carpenters)
• Semi-skilled & Unskilled	(e.g., plant workers, maintenance staff, labourers)
• Marine	(e.g., fishermen, sailors)

Wherever the information was available, the occupations of successful and unsuccessful individuals who ran as candidates for municipal office were grouped and tallied. It seemed desirable to add a measure of control to the overall results, and so the same procedure was followed regarding candidates in both the older and newer towns for the 1973 general election. The results of these calculations are shown in Table 11-1:

Table 11-1: Occupational Characteristics of Candidates

Overall ("sample" towns)			**1973 ("sample" towns)**			**1973 (newer towns)**		
Successful Candidates:			**Successful Candidates:**			**Successful Candidates:**		
Professionals	105	(14%)	Professionals	36	(16%)	Professionals	37	(15%)
Business	219	(29%)	Business	51	(23%)	Business	58	(23%)
Administrative	119	(16%)	Administrative	46	(21%)	Administrative	46	(21%)
General	41	(5%)	General	14	(6%)	General	27	(10%)
Skilled	133	(18%)	Skilled	40	(18%)	Skilled	41	(16%)
Semi-skilled	95	(13%)	Semi-skilled	30	(14%)	Semi-skilled	37	(15%)
Marine	40	(5%)	Marine	4	(2%)	Marine	9	(3%)
	752			221			255	
Unsuccessful Candidates:			**Unsuccessful Candidates:**			**Unsuccessful Candidates:**		
Professionals	41	(7%)	Professionals	14	(9%)	Professionals	4	(3%)
Business	170	(29%)	Business	45	(28%)	Business	29	(22%)
Administrative	82	(14%)	Administrative	24	(15%)	Administrative	11	(8%)
General	51	(9%)	General	16	(10%)	General	29	(22%)
Skilled	122	(20%)	Skilled	30	(19%)	Skilled	25	(18%)
Semi-Skilled	110	(18%)	Semi-skilled	28	(18%)	Semi-skilled	29	(22%)
Marine	17	(3%)	Marine	1	(.6%)	Marine	7	(5%)
	593			156			134	

The table shows that both overall, and in the case of the 1973 general election, a business background is most likely to be the occupation of persons running in municipal elections. Persons in business tend to be at once the most successful group of individuals and the most unsuccessful, encompassing 29 per cent of those elected and 29 per cent of those defeated in the older towns overall; and in 1973, 23 per cent and 28 per cent respectively in the sample towns and 23 per cent and 22 per cent respectively in the newer ones. In the original sample towns, professionals and businessmen together constituted 43 per cent of those elected overall, but only 36 per cent of those defeated. In the older towns in 1973, the business and professional elements account for 39 per cent of the successful candidates and for 38 per cent of unsuccessful ones. In the newer towns for that election, professionals and business people account for 38 per cent of successful candidates, but only 25 per cent of unsuccessful ones.

Blue collar workers (skilled and semi-skilled) both in the sample and in the newer towns account for slightly less than one-third (31%) of successful candidates. In the older towns over all elections, 38 per cent of defeated candidates fall into that category, while for the 1973 election that is true of 37 per cent in the case of those towns, and of 40 per cent in the case of newer towns.

Fishermen and sailors, people who have historically been considered to be the backbone of many communities, apparently run for municipal office quite infrequently. Only three communities have had significant numbers of fishermen as candidates in their local elections: Change Islands, Fogo, and Greenspond.

The percentages in each occupational category for the successful candidates of the 1973 general election are not significantly different than for those overall, except in business, where there were six per cent fewer candidates in both the older and newer communities, and in general occupations, where there were seven and eleven point differentials, and also in the administrative category, where there was a six point differential.

The occupational characteristics of individuals who have been elected to serve as either mayors or deputy mayors of their towns are shown in Table 11-2:

Table 11-2: Occupational Characteristics of Mayors and Deputy-Mayors (Overall)

• Professionals	27	(15%)
• Business	58	(32%)
• Administrative	33	(19%)
• General	5	(3%)
• Skilled	33	(19%)
• Semi-skilled	17	(9%)
• Marine	6	(3%)

The occupational characteristics of the individuals who have served as mayors and deputy-mayors largely correspond to those of the candidates generally, except that there are four per cent fewer unskilled workers holding such positions and three per cent more engaged in business and in administration.

(d) *Women as Candidates*

It might be noted as a point of interest that in the sample towns for all elections held prior to 1973, a total of 26 women had run as candidates in municipal elections. Of these, only 15 women, or one per cent of the total number of individuals elected to council overall, were successful.

The data we received pertaining to the 1973 general election, however, shows that in that year in the same towns, a total of 17 women ran for office, nine of whom were successful and four of whom are now the mayors of their communities. These additional data bring to two per cent the number of women elected to municipal office as a percentage of the total number of councillors elected overall.

(e) *Membership Turnover in the Councils*

The final research objective was to discover the number of terms served by the individual councillors: specifically, to ascertain whether or not council memberships tend to be dominated by a few men. Therefore, the overall number of terms served by individual councillors, either by election or by appointment, was tallied.

Of the 1,190 individuals who have been elected or appointed to council in the 36 sample towns since their establishment, as far as can be determined from the files, three persons have served on seven councils, nine persons have served on six councils, 17 persons have served on five councils, 30 have served on four councils, and 101 persons have served on three. Thus, 160 persons in total have served on municipal councils for considerable periods of time; they represent approximately 13 per cent of the total of 1,190 councillors. The towns with the highest incidence of councillors serving multiple terms were Ramea and Jerseyside. Some of the towns with low incidences were Channel-Port-aux-Basques, Bay Roberts and Glovertown.

Calculations were also made to determine the degree of frequency that individuals have served as mayors and deputy-mayors of their respective councils. Of the 154 individuals who have been elected as mayor, 11 persons, or 17 per cent of the total, have held the title of mayor more than twice; only two individuals have held it more than three times. Of the 158 individuals who have become deputy-mayors, four persons representing three per cent of the total have held the title more than twice. Nine per cent of all persons who have been elected have served terms in both capacities.

(f) *Conclusions*

The conclusions of this survey may now be summarized. Due to the difficulties encountered in obtaining adequate information, these conclusions are perhaps more valid in relation to the older municipalities than to the newer, and generally smaller, local authorities within the Province. In any event, they indicate that Newfoundland voter participation rates in municipal elections since 1961 have attained a very acceptable level of approximately 50 per cent. This rate is relatively high in relation to recent Canadian municipal voter turnout norms. This positive mass behavioural pattern suggests that, in spite of their recency and very rapid development, our municipal institutions have indeed attracted a satisfactory level of general citizen interest. That interest is obviously more sustained in general municipal elections than in bye-elections; but this latter phenomenon is apparent in all jurisdictions and is by no means specific to Newfoundland.

Second, candidate interest in seeking local public office, as measured by the frequency of elections by acclamation and of appointments requiring action of the Lieutenant-Governor in Council, indicates only moderate levels of achievement. There is a considerable body of evidence which suggests that many if not most elected representatives in Newfoundland consider service on local councils to be both onerous and thankless. If the general decline in elections by acclamation which apparently occurred in the 1973 election is sustained in the future, this problem may assume a smaller general significance. It is clear, however, that it has already been reduced substantially in the larger municipalities.

It is sometimes assumed that municipal government in Canada generally, and in Newfoundland particularly, is dominated by a merchant or business elite. Businessmen as a group, it is often held, have a tendency to monopolize power and influence in municipal life because of their allegedly superior personal and material resources. They also have a greater pecuniary interest, it is frequently alleged, in gaining election to council for the purpose of ensuring local decisions that have a minimal impact on that interest. In its formal submission to the Commission, for example, one association went so far as to claim that, for a number of reasons, ordinary individuals in Newfoundland did not or could not really afford to stand as local candidates and to participate as elected municipal officials. The general results of this inquiry do not appear to vindicate these factual allegations and assumptions. They show that both the business and professional occupational categories tend to supply a fair proportion of men and women who succeed in gaining election to local public office. But there has obviously been approximately equal probability, on the other hand, for the members of these groups to fail in their efforts to be elected. And it can hardly be maintained as a fact that businessmen in particular tend to dominate in the formal aspects of local government when, on the average, fewer than 30 percent of all elected council members have business backgrounds. Nor is there any evidence that once their members have been elected to office, town councils have a strong tendency to select businessmen as either mayors or deputy-mayors.

Finally, there is in general no strong tendency for the municipal political process in Newfoundland to produce elected councils whose members hold office for excessive periods. Obviously, there are some notable exceptions to this generalization, as there are indeed in every municipal system — and for very good reason. But the coexistence of these long-tenured exceptions with fairly high overall turnover rates in respect of council membership suggests that an adequate measure of balance has been achieved in the pattern of local representation.

4. Representations Received by the Commission

During the course of its public hearings, the Commission received some 50 proposals dealing with the existing legislation in respect of Newfoundland's system of municipal councils. In the following pages it provides a brief summary of these representations:

(a) *Payment of Councillors*

In this matter, as in most, there was a considerable diversity of opinion. One municipality felt it would be inappropriate to pay councillors a salary. Two municipalities recommended payment of councillors in order to attract capable people to municipal service, to encourage them to serve their full term, and to offset the obvious disadvantages of the position of councillor. (One municipality mentioned the problem of getting qualified people to run for council, but made no recommendation). Another municipality recommended that the present provision for payment be altered to require only the approval of the Minister, rather than the Lieutenant-Governor in Council. One association recommended a payment scheme related to the size of the population administered and to the current salaries of M.H.A.'s. One municipality raised the matter, being unaware of the present legislative provisions: when these were described, it decided the *Act* was adequate.

(b) *Size of Councils*

One association recommended that no elected council should be larger than 12 nor smaller than six. One municipality referred to the difficulty of getting a quorum because councillors are on occasion seasonally absent from the place. It recommended, therefore, that the size of community councils should be increased to seven members. Another municipality merely referred to the difficulty of getting quorums because of people being away at work.

(c) *Staggered versus Coterminous Terms for Councillors*

One association recommended that the present system of coterminous terms of office for the councillors be continued. Five municipalities recommended staggered four-year terms of office with elections held every two years. One spokesman specified that his reason for suggesting this change was to bring fresh perspectives and new enthusiasm to councils: there was some tendency, he argued, for four years of public abuse to produce apathetic councils during the last year of the councillors' tenure in office.

(d) *Length of Term in Office*

One representative had no views on the two-year term presently prescribed for community councils; two others, however, proposed that the term should be extended to four years. Two municipalities recommended three-year terms of office for all councils. One specified that the fourth year was always the most ineffective for any council. (One other municipality also referred to this problem, in terms of the difficulty of getting quorums in the fourth year, but made no recommendation thereon.)

(e) *Returning Officer in Municipal Elections*

One municipality recommended that only qualified people be appointed as returning officers; another recommended that the department make its officials available, on request, to interpret the *Act* governing municipal elections and instruct returning officers. One representative recommended that Section 52 of the *Act* be amended, and that some person other than the town clerk be given the authority to have the "casting vote" in the event of tie votes. No alternative, however, was suggested.

(f) *Election of Mayors*

Four municipalities and one association argued for retention of the present method of electing the mayor. Two municipalities thought the present system was adequate, but added that if it was to be changed to the direct and separate election system, a plebiscite should first be held to determine if people approved of the change. Also, one of the two thought that if there was a separate election of the mayor, it should be held thirty days before the "general" election in order that defeated mayoralty candidates could stand for seats on the councils. One municipality thought that the present system was inadequate; but it agreed that a plebiscite should be held before it was altered. Only one individual proposed that in all municipalities the mayor should be elected separately, and that the present optional procedure should be discarded.

(g) *Eligibility of Candidates*

One individual recommended that all candidates should be required to submit a statement of their qualifications and of their election platforms. Another individual recommended that provincial or federal civil servants should not be allowed to run for local elective office. One municipality recommended that they be allowed to run, but be required to resign their posts if elected.

(h) *Eligibility of Councillors*

One municipality recommended that the Minister rather than council be made responsible for the removal of a councillor from office if he becomes indebted for arrears of taxes. It was proposed that a directive should be given to clerks to report to a councillor whenever he becomes in arrears, and then to forward a statement of those arrears to the Minister. It was also proposed that a councillor should be required to resign in the event that he is elected to the House of Assembly.

(i) *Vacancies on Councils*

One municipality recommended that the *Act* be amended so that it would not be possible to have a vacancy on council for a full year, but no alternative procedure was proposed. Another municipality recommended that when a vacancy occurs, people who were unsuccessful candidates in the previous election should be appointed to council, in order of the number of votes which were received.

(j) *Ward System versus Elections at Large*

One association discussed the merits of "ward" versus "at large" systems of election in large municipalities, but made no specific recommendation thereon. Two individuals recommended that the ward system should be adopted in all large municipalities.

(k) *Public Apathy and Criticism of Councillors*

Two municipal leaders referred to the great difficulty of getting people to run in elections or by-elections; they related this problem to an alleged public disinterest in the affairs of council. One municipality mentioned that when people do take an interest in local affairs, it is only to criticize the councillors. Another municipality recommended that the problem could be alleviated to some extent if civics courses were reintroduced in high schools. It also recommended that councils publish a monthly newsletter, as a partial cause of the problem is ignorance due to lack of information. Another municipality referred to the lack of communication between councils and their publics but made no firm recommendation on how this deficiency was to be removed. One individual suggested that citizen committees should be formed to get people interested in local affairs and to monitor the actions or inactions of councils.

(1) *Secret (Privileged) Meetings of Councils*

Two individuals recommended that there should be no statutory provision for privileged meetings of the councils. A third individual pointed out that councils could, under the present *Act*, operate entirely by way of secret meetings. A fourth individual alleged that there was little discussion of important matters at public meetings, since discussion of them tended to take place at previous private meetings. He recommended that public council meetings be made more informative, but did not provide suggestions on how that object could be achieved.

(m) *The Local Government Act*

Eleven municipalities referred to the need to clarify the present *Act*. One merely stated that it had never experienced any difficulty with the *Act*, "probably because we don't understand it". Two representatives suggested a handbook be prepared to accompany the *Act*, but a third person, when this idea was suggested, was not enthusiastic about it. There were two recommendations that the *Act* merely be indexed. Two municipalities referred to the need for particular attention to the sections dealing with local taxes and the service fee. Two representatives wanted the *Act* to specify what a council *should (shall)* do, not merely what it *may* do; they wanted more "local autonomy" in a revised *Local Government Act*. One municipality, when supporting the general need for clarification of the statute, pointed out that even legal advisors cannot agree on the meaning of some of its sections. Two municipalities recommended that the statutory duties of the mayor particularly needed to be clarified and even extended.

(n) *Local Improvement Districts*

Two municipalities thought that local improvement districts should be called towns, so that their inhabitants might then realize that they do live in municipalities. Three municipalities, three individuals and one association recommended that boards of trustees be appointed for a fixed term rather than as at present for life in most instances. Three did not specify an appropriate time period; one recommended a term of one year, one a term of two years. One recommended a three to five year term and another a term in conformity with the *Election Act*.

(0) *The Community Councils Act*

Two municipalities recommended the election of councillors by ballot, rather than as now required at public meetings of the community. Five recommended that the elected councils be given the authority to prepare budgets and set tax rates, without having to obtain subsequent approval of them at the community's general annual meeting of ratepayers.

(p) *General Municipal Structure*

Two municipalities and one association recommended that all forms of local government be placed under a single, integrated statute. One recommended the abolition of both rural districts and community councils; one merely proposed that municipalities be graded as to type, and that as they gain access to professional expertise they be granted more autonomy. The third recommended that all be graded according to fiscal ability, administrative capacity and the range of services provided. It was suggested that as municipalities become mature, they could be constituted under their own individual acts.

(q) *Authority of Councils*

Seven municipalities and one individual referred to the need for councils to have more authority (autonomy). One municipality even stated that the lack of control over matters for which council was blamed by the public actually deterred people from running for municipal office. Five municipalities referred to specific areas where council should have more control:

- the regulation of snowmobiles;
- the ability to enter into joint agreements regarding cemeteries;
- the ability of communities to hire local snow-clearing equipment;
- zoning and land use;
- the control of trailer courts and mobile home development;
- the collection and disposal of car wrecks;
- the control of local pollution problems;
- the control of vacant land;
- regulation of dogs.

(r) *Miscellaneous Proposals*

One municipality experienced no difficulty in converting its status from a local improvement district to a rural district. Another place was thoroughly confused in its efforts to change from a local improvement district to a town. Still another municipality did not understand why the department kept refusing its requests to change from appointive to elective status. One municipality was experiencing difficulty due to a racial division among its population. One individual thought all municipal employees should be appointed only with the approval of the appropriate provincial authority, e.g., a municipal fire chief by the Fire Commissioner. Finally, one representative suggested that there should be provision for citizens to be able to appeal a council's decision to the Minister.

5. Comment, Conclusions and Recommendations

(a) *Legal Framework*

The Commission has concluded that an entirely new legal framework for municipal government in Newfoundland is now required. The reasons which prompt this conclusion were summarized in Chapter 10. The following statutes, therefore, should be repealed:

1. ***The Local Government Act;***
2. ***The Local Government (Elections) Act;***
3. ***The Community Councils Act;***
4. ***The City of St. John's Act;***
5. ***The City of St. John's (Development) Act;***
6. ***The Bowring Park (Control) Act;***
7. ***The St. John's Metropolitan Area Act;***

8. *The City of Corner Brook Act;*
9. *The Water and Sewerage Corporation of Greater Corner Brook Act;*
10. *The Town of Jerseyside Boundaries Act;*
11. *The Rural District of Placentia (Amendment) Act;*
12. *The Carbonear Water Company Act;*
13. *The Botwood Water Corporation Act;*
14. *The Larkin's Pond Reservoir Act;*
15. *The Town of Harbour Grace Water Company Act;*
16. *The Twillingate (Telephone Service) Act;*
17. *The Carbonear Fire Brigade Act;*
18. *The Nuisances and Municipal Regulations Act;*
19. *The Assessment Act;*
20. *The Assessment (Validation) Act;*
21. *The Local Authority (Control of Expenditure) Act;*
22. *The Local Authority Guarantee Act;*
23. *The Local Government (Receivership) Act;*
24. *The City of St. John's (Loan) Act;*
25. *The British Columbia Packers Limited (Local Taxation) Act; and*
26. *The Crown Corporation (Local Taxation) Act.*

In lieu of the statutes listed above there should be substituted the following *Acts:*

1. *A Municipalities Act;*
2. *A Municipal Assessment Act;*
3. *A Municipal Grants Act;*
4. *A Crown Corporation (Municipal Contributions) Act;*
5. *A City of St. John's Act;*
6. *A City of Corner Brook Act;*
7. *A St. John's Metropolitan Region Act.*

It is recommended that the Municipalities Act should be an omnibus statute, providing for the legal creation, powers and activities of all non-city local authorities: towns, local improvement districts, rural districts, local government communities, and municipal regions. The proposed *Municipal Assessment, Municipal Grant* and *Crown Corporation Acts* should incorporate the fiscal measures recommended in Part III of this report. In conjunction with the introduction of regional government in the St. John's Urban Region, there should be a completely new *City of St. John's Act* and a new statute which has been tentatively styled *The St. John's Metropolitan Region Act*. A revised *City of Corner Brook Act* would also be required. As a result of the many changes recommended in this report, certain consequential amendments in collateral statutes would be required as well, notably in such *Acts* as *The Local Road Boards Act, The Constabulary Act* and *The Local School Tax Act*. Detailed specifications for these statutory alterations and substitutions are set out in the appropriate chapters and sections of this report.

(b) *Incorporation Procedure and Municipal Status*

During its public hearings the Commission heard some criticism of the manner in which municipalities are presently incorporated. The basis for this critical comment, which invariably was grounded in concrete experience, is suggested in the following excerpts from its proceedings or from written submissions received during the course of the inquiry:

- (a) (A new municipality should not be established) "unless the majority of the people want it, can show a need for it, and can show that they can run it."
- (b) "Municipalities have been allowed to incorporate too easily. People should be told the financial implication of getting the (services) they want on incorporation. Sometimes municipal structure is forced on people so council will have to do whatever job the provincial government does not want to do."
- (c) "Communities were incorporated too easily; population should have been used as a criterion. Even if everyone paid their taxes, (this town) could not balance its budget."
- (d) "Municipalities should not be created just to get water and sewerage systems. Before incorporation, a community should be evaluated in terms of local viability and capacity for self-finance."
- (e) "... every effort should be made to ensure that the request to become incorporated is based on a sincere desire to provide beneficial services to the community concerned rather than an opportunity to secure additional dollars from government sources."
- (f) "The present procedures for incorporation should be changed. The proposed municipality should know before incorporation the services that are to be provided, the source of revenue, the estimated annual expenses for the next five years, and the source of the subsidy that will be required. The delegation to government begging financial assistance after incorporation should be abolished."
- (g) "All communities wishing to become incorporated should, as a condition of incorporation, be required to charge Property Tax, Service Fees, Fuel Tax and Business Tax."
- (h) "It should be mandatory when a Council is being formed that the petition for incorporation should agree to impose the more beneficial forms of taxation, such as, property tax, business, fuel, town service fees, etc. By doing this you honour the intelligence of the taxpayer and all persons party to the incorporation would be more respected. In using such a method the 'maximum local tax yield' could be determined and the issue of whether or not a municipality be formed, resolved."
- (i) "Communities wishing to become incorporated are not given sufficient information as to what amount of revenue will have to be realized to run a successful community. More emphasis should be placed on: (a) whether or not the community can afford to become incorporated; (b) whether or not a possible link-up with another community would make it a more feasible venture; (c) whether or not, under the present tax structure, our government can afford to incorporate more communities at this time."
- (j) "New councils should be a matter of promotion on proven administrative ability, first as a local improvement board, then as a community council, and finally as services and population warrant as a full-fledged council. In fast growth areas the control should be vested in an appointed board until the need of the area has been properly assessed, plans completed and financial responsibility established."

As a result of a thorough review of the existing legal and practical requirements regarding incorporation in Newfoundland and in other provinces, the Commission has concluded that the present arrangements, while they have served adequately in the past, have become progressively more unsuitable in view of changed circumstances. In the first place, as indicated in Chapter 2, very few communities of any size now remain unincorporated. Indeed, the one-fifth of Newfoundland's population not at present living within incorporated units contains a sizeable proportion residing in settlements so small that incorporation in the traditional sense may be impractical. Yet the Commission has found that among individuals in the attitude sample not resident within organized municipalities (N-190), 45.8 per cent believed that some public consideration had already been given to incorporation. It should also be pointed out that more than 77 per cent of respondents in this part of the sample actually favoured incorporation. We note, as well, that among individuals in this section of the sample only nine persons out of 32 offered the "fear of taxation" as their main reason for not favouring incorporation, as compared with 10 persons who considered their communities to be too small for corporate status.

It is recommended in Chapter 13 of this report that the portion of Newfoundland's population not presently residing within incorporated boundaries should by stages be brought within organized regional municipal units. Some of the larger unincorporated communities should also be encouraged to acquire separate corporate status. The Commission believes, however, that the existing "local option" feature of the legislation, which *requires* local petitions and plebiscites as indicators of community consensus, *before* the government can issue any order of incorporation, is no longer appropriate. Indeed, it is considered that a continuation of present procedure in this respect would place in jeopardy much of the municipal development strategy recommended in Chapter 10, above. *Accordingly, the Commission recommends the following guidelines and procedures in the matter of incorporating new municipalities and establishing or altering their legal status, boundaries, formal institutional structure and powers.*

First, the proposed Municipalities Act should apply to every existing town, rural district and local government community operating under the current statutes immediately before the proposed Act comes into force. In short, each municipality should continue to operate as if it were established under the new *Act;* its boundaries, status, structure and powers should be the same as they were immediately prior to proclamation of the new *Act* and should so continue until altered in accordance with the new statutory provisions.

Second, incorporated towns and rural districts should be authorized to provide any of the municipal services designated in Schedule A of the new Act. Incorporated communities, on the other hand, should be authorized to engage in any of the service functions listed in Schedule A, where authority to do so is expressly provided in any order of the Lieutenant-Governor in Council. Existing community councils, moreover, should be enabled to provide whatever services they could lawfully provide before the coming into force of the proposed *Act.*

Third, upon the recommendation of the Minister, and after the completion and study of a feasibility report, the Lieutenant-Governor in Council should be empowered to:

(a) incorporate the inhabitants of any area, other than an area incorporated by special Act of the Legislature, as a municipality in the form of a town, a rural district or a community with a designated name;

(b) terminate the formal status of, and re-incorporate, any existing town, rural district, and community;

(c) alter the boundaries, amalgamate and dissolve any town, rural district and community where such action is considered to be necessary and prudent in the opinion of the Lieutenant-Governor in Council;

(d) prescribe, at the discretion of the Minister, by regulation, the form of the feasibility report that will be ordered in every instance where actions under (a) through (c) are contemplated or undertaken, and ensure that every order is duly Gazetted and published locally.

Under this last procedure, the Minister should be authorized to include a local census, petition and plebiscite as part of the feasibility report if he deems it appropriate; he should not, however, as the Lieutenant-Governor in Council is at present, be bound to follow the majority expression that emerges in any local petition or plebiscite.

Fourth, the incorporation of every local improvement district should be rescinded by the new Act. These units, except for the very few to be reincorporated in their present status as districts, should be assigned a new elective status as towns, rural districts or communities. When introducing this proposed transformation, the procedures recommended in the previous paragraph should be followed by the government. But as a matter of practice the choice of a particular status (among the districts to be converted to towns, rural districts or communities) should depend wherever possible upon local preference. Lastly, the appointed district boards of trustees holding office on the date upon which the new *Act* comes into force should continue in office with all their existing powers until an order is issued by the Lieutenant-Governor in Council assigning the districts new status and requiring the necessary local elections.

Fifth, in relation to any action by government affecting any aspect of municipal status, name, boundaries, amalgamation or dissolution, the Lieutenant-Governor in Council should be assigned additional power to undertake the following specific acts:

(a) to prescribe the name and boundaries of the municipality and the effective date of the incorporation, amalgamation or change of name;

(b) in the case of communities, to prescribe the services which may be provided;

(c) to make such adjustments of assets and liabilities between affected municipalities as they agree upon or, in default of agreement, as the Lieutenant-Governor in Council deems equitable;

(d) to appoint one or more persons who have all the powers of a commissioner(s) appointed under *The Inquiries Act*, to inquire into and report to the Lieutenant-Governor in Council upon the adjustments of assets and liabilities referred to in clause (c);

(e) for the purpose of the first elections, and in a manner generally consistent with the sections of the new *Act* relating to municipal elections, provide for:

  (i) the composition of the first council;

  (ii) the holding of elections;

  (iii) the fixing of days for nominations, either before or subsequent to the effective date of the incorporation;

  (iv) the qualifications of candidates and voters;

  (v) the preparation of voters' lists;

  (vi) the fixing of days for first meetings of councils; and

  (vii) such other matters as the Lieutenant-Governor in Council deems necessary to provide for the effective administration of the new municipality or any local commission thereof; and

(f) to provide for all other matters necessary or incidental to the incorporation.

Sixth, the proposed Municipalities Act should also include a provision which ensures that during the study and transitional periods in the alteration of any municipality's legal status, boundaries and structure, there is to be no limitation, impairment or change whatever in the legal status of its existing regulations as duly enacted by the council. All such regulations, bye-laws or ordinances are to continue with full legal effect until repealed or amended by a properly constituted successor council or councils.

Taken as a whole, these procedures are intended to provide the administrative flexibility required for the next phase of municipal development in Newfoundland. They represent essentially a reconciliation of local interests and needs, on the one hand, with the broad provincial interest in achieving and maintaining an effective municipal structure on the other. They reflect but do not duplicate similar provisions governing the incorporation process in some other Canadian provinces. If adopted, for example, they would make Newfoundland's legal requirements, in effect, quite similar to those presently found in New Brunswick.

Throughout its study, the Commission attempted to find a general structural framework which might provide a set of objective criteria for determining the status of Newfoundland's different municipalities. These criteria obviously would have to relate to the size of communities, the kinds and range of local services they should provide, the fiscal effort exerted by local authorities, and their administrative records, maturity and demonstrated sense of responsibility in local self-government. No province in Canada has or uses any such general formula. At most, there are scattered statutory minimum or maximum population limits prescribed for different categories of municipalities; e.g., cities, towns, villages, and so on. An attempt was made some years ago to ensure that in this Province town status would be reserved for communities in excess of 1,000. But this rule was not followed in practice. Reference to Table 2-3 above will indicate that in 1973, for instance, 34 out of 93 towns (37%) had populations below 1,000. On the other hand, in the same year there existed nine local improvement districts, and one incorporated community with populations in excess of that figure. Any attempt to find an accurate measure of fiscal effort, particularly where real property is not widely assessed, is bound to be a risky comparative statistical enterprise, and certainly not one calculated to inspire general confidence as an important administrative tool. Even if comparative accuracy were possible, it would seem inappropriate in the Newfoundland setting to impose a rigid, mechanical process of "progression" based solely upon fiscal performance indicators.

Finally, the Commission does not believe that any *rational* indicator of "maturity" or "administrative responsibility" can really be discovered, let alone be used, as a criterion for determining the municipal status of local communities. There are, it is true, certain *practical* indicators of municipal maturity; but these can hardly become elements in a formula that rigidly controls the determination of municipal status since they invariably involve a strong judgemental component. The Commission is satisfied that the five municipal structures provided in the existing legislation are quite suitable for the Province's immediate needs. An added form is specified below in respect of regions. Generally speaking, communities should have the elective municipal form that they desire, subject to the broader requirements of provincial policy in respect of municipal structure. This objective, it is believed, can best be achieved through use of the procedural model recommended in this report.

(c) *Payment of Municipal Councillors*

Section 26 of *The Local Government Act* authorizes councils by unanimous decision to vote themselves "such annual or other remuneration" as they deem appropriate, subject to the approval of the Lieutenant-Governor in Council. In the opinion of the Commission, this provision is inadequate. *It is recommended, therefore, that a new formula should be introduced, and that the power of the Lieutenant-Governor in Council in this matter should be rescinded.* The conditions upon which councils should be authorized to vote themselves remuneration, for time actually spent on the conduct of municipal business, should be prescribed by the Minister in regulations. These regulations should specify the maximum amounts available to councils for this purpose; and the amounts prescribed from time to time should be related to the size of the municipal unit. The amounts paid to individual councillors, on the other hand, should be scaled in relation to their attendance records and to other indicators of participation. Within the limits prescribed by regulation, adoption of any scheme of remuneration by a council should not require ministerial approval. But it should continue to require a unanimous decision of all councillors.

In its recent annual general submissions to the government, and again in its brief to this Commission, the Newfoundland Federation of Labour has expressed strong objection to one aspect of current practice in respect of remuneration for municipal councillors. We cite below an excerpt from its presentation to the government on May 31, 1973:

> "Public office should be open to each and every citizen of our Province. The sad truth is that it is not.
>
> The laws governing municipal officers such as councillor, deputy mayor and mayor will not permit any reimbursement for lost wages to attend meetings or out of town delegations. This economic barrier successfully prevents working people from seeking local office. The net result of this provincial law is to make municipal and city councils the private preserve of the businessman and the professional community. The Federation does not believe that this is in the best interests of the citizens, the local community or the Province, and it is therefore requesting the Government to permit hourly rated people to be reimbursed for loss of wages because of council business. To continue in the present practice is a debasement of the most basic of all democratic principles — the right of every citizen to seek and to hold public office."

For reasons set out in section two of this chapter, the Commission does not accept the allegation that as a matter of observed practice municipal and city councils in Newfoundland are "the private preserve of the businessman and the professional community." At the same time, it admits, however, that difficulties do in fact exist in this area, largely because of the generally unsuitable nature of present legislative provisions. *When the regulations proposed in the preceding paragraph are formulated, explicit provision should be made to enable councils to reimburse their elected members for bona fide "out-of-pocket" expenses legitimately incurred in the conduct of municipal business, including reimbursement for lost wages and for the consumption of personal holiday time.*

(d) *Size of Councils*

Present legislative arrangements in this matter, including the government's discretionary power, are satisfactory. Most municipalities now have 7-member councils, although a few (e.g., St. John's, Glovertown and St. Anthony) have retained the larger-sized governing body. *The present statutory discretion given to communities respecting the size of their councils should be retained.*

(e) *Staggered Versus Coterminous Terms for Councillors*

In the early years of municipal development in Newfoundland, *The Local Government Act* did prescribe staggered terms of elective municipal office. But a considerable practical difficulty was encountered when dealing with vacancies and replacements. *The Commission recommends that the present system of coterminous terms of office should be continued. It also favours retention of the four-year term for elected town and rural district councils.* The disadvantages alleged to arise in the final year are outweighed by the greater probability of council effectiveness under the longer term formula. Because of their generally smaller size and more rudimentary service responsibility, local government communities should continue to have councils whose members hold office for a two-year period. It is noted that in these matters there is no standard municipal practice in Canada.

(f) *The Municipal Election Process and the Local Franchise*

The existing legislative framework in this area is generally satisfactory, but a manual of municipal election law and practice for Newfoundland is badly needed. It should be prepared by the department in adequate time for distribution to local authorities before the next series of general municipal elections. The present statutory rule requiring systematic local reporting of election results (to the department) does not appear to be effectively applied in practice. This matter requires a more effective administrative supervision. When the proposed new City Charter for St. John's is drafted, its administrative provisions for city elections should be made consistent with general municipal election practice rather than with provincial election practice. *The Commission recommends that the local franchise should be restricted to Canadian citizens. This recommendation conforms with recently adopted Canadian federal election practice. It is also recommended that the minimum voting age to be designated for municipal election purposes should invariably be equivalent to that prescribed for provincial election purposes.*

The Commission considered the practice now emerging in some jurisdictions to transfer the entire administrative responsibility for municipal elections to the Province and to appoint a chief electoral officer for local election purposes. It has concluded, however, that such a departure would not be appropriate, particularly if an adequate election manual is prepared and widely used.

The Commission recommends that the town clerk should retain his present power to cast the deciding vote in the event of a tied election.

The Commission also believes, lastly, that adoption of an "at large" or "ward" system for municipal elections should be exclusively a matter of local option. Each of these systems has its advantages and disadvantages. St. John's early in this century, and more recently Corner Brook, have used and later rejected the ward system. Adoption of ward elections should certainly not be a mandatory requirement in large municipalities. A hybrid system combining elements of both "ward" and "at large" elections was recently proposed for St. John's; but this latter proposal is not recommended for general application.

(g) *Ministerial Power to Defer Municipal Elections*

It is recognized that occasions do and will continue to arise when the Minister should be vested with the power to order the holding of local elections. But the Commission is in unanimous agreement that in no circumstances should a Minister have any independent power to defer a municipal election; and it points out that in the original *Local Government Act* no such power was delegated. *It recommends therefore, that Section 18 of the present Local Government Act, which assigns such power within a nine-month limit, should be amended accordingly.* Section 13 of *The City of Corner Brook Act*, on the other hand, enables the city council to order an election deferred for up to nine months, subject to the Minister's approval. In the Commission's view, this latter procedure should be applied generally in the proposed *Municipalities Act*.

(h) *Election of Mayors*

Due to recent legislative changes, municipalities may be authorized to use either the traditional system of selecting the mayor from among the elected councillors or the alternative method of separate mayoralty election. This option should be continued; its exercise should be solely at local discretion but should not require a prior, binding plebiscite. The Commission does not believe, however, that it is practical to hold mayoralty elections in advance of the general elections for councillors.

(i) *Statutory Powers of the Mayor*

Except in St. John's and to a much lesser extent in Corner Brook, Newfoundland municipal law does not establish a strong mayor — weak council model of local government. It will be shown in the next chapter that where a local authority appoints a town manager, a strong manager — weak council system is brought into being. There is no statutory provision for decision patterns involving municipal executive committees, commissions or boards of control. *The Community Councils Act,* it has been demonstrated, establishes a weak council — strong general meeting structure. The Commission received and has considered many proposals which would have the legal consequence of augmenting the mayor's formally assigned authority. It notes, as well, that there is in this sector no standard or generally accepted practice among Canadian municipalities. It concludes, then, that the present configuration of statutory powers in relation to local decision systems is sufficiently flexible to enable municipalities to develop in practice the decision processes that most generally suit them. The mayor's statutory authority, therefore, should not be extended, since any formal elaboration of it would tend to reduce the prevailing measure of operating flexibility permitted by law. It is recognized as a practical matter that the office of Mayor requires an adequate base of authority if its incumbents are to supply the leadership needed in local affairs. That base, however, should continue to be the mayor's personal leadership resources, and his informal capacity to formulate and to mobilize support jointly with his elected and appointed colleagues on behalf of community goals and public purposes, rather than an increased scope of his statutory powers.

(j) *Conflict of Interest and Municipal Corruption*

Allegedly unlawful activity in this sector is subject to certain provisions of *The Criminal Code of Canada*. In addition, as indicated in the next chapter, the Minister under the departmental statute is given certain powers to intervene where fraud, misappropriation or conversion of municipal funds is suspected. But the enabling statutes do not provide, except in reference to a very few contracting practices, any general statement of standards which ought to prevail in this area. It is the Commission's view that elected municipal councillors have the right to know, in clear statutory language, what these standards are. Hence, when the new *Municipalities Act* and other enabling enactments are drafted, it is recommended that some attention in detail be given to this matter.

(k) *Council Proceedings*

The present arrangements under which municipal councils transact their business are generally satisfactory. The Commission has observed that a sizeable number, but perhaps less than half, have not formally adopted and do not have a written statement of their rules of proceedings. Every council should have such formally adopted rules. *It is recommended that* *the department prepare a "model" set of rules which could, with suitable local variations, be adopted by councils.* Throughout the inquiry there emerged, to be sure, some criticism of privileged or secret meetings and of so-called "roast beef" dinner meetings at which it was alleged that the real decisions of councils were taken in advance of their formal public sessions. For good reasons, every municipal system in Canada makes provision for privileged meetings. There are occasions where legal or other matters must in the public interest be discussed privately by councillors and the required decisions taken. The assumption of responsibility by councillors to their electors for the use of this procedure is inherent in democratic life. Statutory provision of the procedure, to be used at the council's discretion, is nevertheless mandatory.

6. Summary

Although a great many details of its existing structure and operating rules are considered to be quite satisfactory, the recommendations proposed by the Commission would, if implemented broadly and in a carefully scheduled manner, produce a basically new structure of local government in Newfoundland. In comparison with its present structure, the alternative model described above is considered to provide a much more adequate framework for the next stage of municipal development in the Province. The many detailed recommendations in this chapter are consistent with the more general development objectives outlined in Chapter 10, where it was suggested that an entirely new legal framework was needed, that a new, more flexible incorporation procedure was required, and where it was proposed that the recent tendency to rely increasingly on non-elective municipal forms should be immediately reversed.

The Commission wishes particularly to dispel any notion that further local institutional growth in Newfoundland is simply an "either - or" proposition: either more provincial control and less local autonomy, or *vice versa*. The Commission's view, on the contrary, is that what is really needed is *both* a greater initiating and service role by the Province in local government affairs, matched with an assumption by municipalities of a much greater responsibility in relation to many matters of detail that ought properly to come under exclusive local purview and control. But while they should be dynamic rather than static, both the scope and focus of provincial policy activity and control should be confined to areas of strategic importance from a development standpoint, rather than deployed as at present in a diffuse, extended manner requiring substantial resource commitments on behalf of an often inefficient and frustrating pattern of municipal supervision. The recommendations in this and in other chapters seek to promote the accommodations considered to be essential in working toward the realization of these primary objectives.

Chapter 12

The Structure and Process of Municipal Administration in Newfoundland

The effectiveness of any local government system depends in a critical manner upon the adequacy of its administrative support structure. In this chapter the Commission describes and evaluates that structure. The legal framework within which local administration operates is first described. Next, the results of a special survey of administrative and accounting practices are summarized, as are the numerous representations on these matters received during the course of the inquiry. Finally, the Commission's conclusions and recommendations are presented under the following headings: municipal administrative officials; municipal staffing and training policy; municipal pensions; accounting systems; financial reporting and auditing; the municipal budget process; and municipal borrowing. A short summary can be found at the end of the chapter.

1. Present Municipal Administrative Structure (Municipal Officers)

Municipal legislation authorizes the appointment by councils of certain municipal officers whose functions and terms of appointment are defined by statute. *The Local Government Act* provides, in the first place, for the appointment of the town clerk. The duties of this officer, whose tenure is at the pleasure of the council and whose salary must be approved by the Minister, are as follows:

(a) to minute and record all transactions, decisions, resolutions and conclusions of the council;

(b) to record the result of votes taken when requested by any councillor present to do so;

(c) to keep council attendance records;

(d) to maintain in his office certified copies of all council regulations;

(e) to receive and disburse funds as required by law or by resolution of the council;

(f) to maintain the council's books, accounts and financial records;

(g) to prepare annually, or at any other time when directed, a statement of the municipality's revenue and expenditure;

(h) to preserve and file assessment rolls, voters' lists, poll books or other official municipal documents.

The *Act* also provides for the appointment of other "officers, clerks or servants". If they are in any manner required to assist in the collecting, receiving or depositing of council moneys, they must be bonded. The Minister may specify which employees are to be bonded; the auditor must annually inspect the bonds and report on their sufficiency to the Minister.

By a two-thirds vote, councils may appoint a town manager. The salary of the town manager must also be approved by the Minister. Managers hold office during the pleasure of the council, but can be dismissed only after a two-thirds vote of councillors, followed by a similar vote confirming the first vote at a meeting held not earlier than one month after the date on which the first removal vote was recorded. There is also legislative provision for the suspension of the manager, with pay, but this too requires a two-thirds vote of the councillors. A council cannot vote on the dismissal of a manager unless: (1) the mover and seconder provide written notice of the motion to dismiss; (2) they deposit such motion with the mayor and clerk; and (3) they arrange to have the motion served personally on the manager at least one week before the date of the meeting at which the motion is to be introduced in council.

The Newfoundland legislation creates a strong manager system. The town manager is described as the municipality's chief executive officer, head of the council's administrative branch, and responsible to it for the proper conduct of local public affairs. The *Act* assigns 13 specific duties to the town manager:

(a) to administer, plan and supervise all local affairs in accordance with the policies determined by council;

(b) to prepare plans for the maintenance, construction and development of municipal "property, facilities and services";

(c) to co-ordinate and supervise the implementation of council decisions;

(d) to prepare and submit plans for the efficient operation of all municipal departments, and when directed to carry them into effect;

(e) to prepare reports on administrative performance and costs;

(f) to recommend on the operation of departments and to draft regulations concerning those operations;

(g) to prepare the council's annual estimates;

(h) to supervise the departmental use of approved appropriations;

(i) to supervise the conduct of and the negotiations associated with management-labour relations;

(j) to ensure that all utility services, franchises, permits and privileges are adequately performed and observed;

(k) to monitor all boards and commissions whose activities affect the municipal interest;

(l) to "co-ordinate, motivate, direct, and supervise" departmental heads and employees generally;

(m) to undertake such other tasks that may be assigned by the council.

The manager is authorized by statute to attend all council meetings and those of its committees, to participate (subject to the rules of procedure) in all discussions, but not to vote. He may delegate authority to subordinates, except such powers as are decreed by council to be exempt from delegation; but in cases of emergency he may delegate "without reservation" even those. Subject to certain statutory limits, he is authorized, without reference to council, to make expenditures and to enter into contracts for the purchase of equipment, supplies and work. He supervises the performance of all municipal contracts and agreements.

The scope of the Newfoundland town manager's powers are well illustrated by three additional powers assigned to him by *The Local Government Act*. First, the council is not authorized to proceed with any expenditures in excess of $500 "in any one case" unless it first receives the manager's recommendations thereon. It is not, however, bound to follow his recommendations in the matter, nor is he bound in law to make any recommendations, even though they must be requested of him. Second, the establishment of a departmental structure of the municipality and the appointment of its head officers (assessor, collector, engineer, superintendent of works, building inspector, fire chief, treasurer and solicitor) can be undertaken by the council only on the written request of the manager. The salary of every departmental head so appointed by council, however, requires the Minister's approval. Third, subject to usual procedures requiring due notice of the motion, departmental heads can be dismissed or suspended by a two-thirds vote of councillors. When a vacancy occurs for whatever reason among the departmental heads, the manager is required to nominate a successor; if his initial nomination is unsatisfactory to the council, he makes further recommendations at a subsequent regular or special meeting. The manager, on behalf of the council, after consultation with the departmental head concerned, and subject to any contractual obligations of the Council "may appoint, employ, suspend or dismiss any employee of the council." There is, however, one important procedural qualification of the manager's authority found in Section 29 (10) of the *Act:*

> "The manager shall, if so requested in writing by any department head giving reasons therefor, report to the next meeting of the council that the department head is not in agreement with a plan, proposal or appointment of the manager."

The Community Councils Act authorizes councils to appoint a manager, secretary, treasurer and such other "officers, agents or employees" as they deem necessary for the conduct of public business. These appointments and the remuneration associated with them are not subject to ministerial approval. All community officers hold their appointments during the pleasure of the council. There are no special procedures respecting the dismissal of appointees, all of whom may be removed by ordinary decision of the governing boards. The duties of council employees are not specified in the *Act*.

The City of Corner Brook Act authorizes establishment of the offices of city clerk and city manager with powers very similar to those described above. The city council appoints incumbents by majority decision; and the salaries to be paid these officers are not subject to the Minister's approval. The limit on the city manager's power to make expenditures without reference to the council is increased from $500 to $1,000. The city council, in turn, is not authorized to proceed with expenditures over $1,000 "in any one case" without first eliciting the city manager's recommendations. *The City of Corner Brook Act* does not require the city manager's prior recommendations respecting the establishment of the city's departmental structure, which is provided for in the enabling legislation. Nor does it require that the salaries of the department heads be approved by the Minister. The city manager's powers to recommend the appointment of departmental heads to council, and "to appoint, employ, suspend or dismiss" any employee on behalf of the council, are identical with those delegated to town managers. But Section 43 of the Corner Brook Charter, which assigns these powers to the manager, has a second sub-section as follows:

> "(a) the manager has not in any circumstances authority to disobey, disregard or overrule any decision of the council acting as a body; and
>
> (b) in any case where it is provided that the manager may or shall make a recommendation, the council shall receive and consider the recommendation, but it is not bound to follow such recommendation, nor is any recommendation a condition precedent to action by the council."

Both *The Local Government Act* and *The City of Corner Brook Act* provide that the managers may also be appointed clerks, that the same person may hold more than one departmental headship, and that acting managers and clerks and other officers may be appointed.

Without requiring governmental or ministerial approval, *The City of St. John's Act* authorizes the city council to appoint the city clerk, city comptroller, city planning officer, and a city engineer, solicitor, medical officer, sanitary supervisor and impounder. All of these appointees hold office during the pleasure of the council. The city clerk normally attends all council meetings, keeps minutes of all its transactions or resolutions, and is empowered "to give effect to all orders" issued by council. The clerk can be requested to withdraw from meetings and he has no vote in the proceedings. He countersigns all city cheques and must ensure that all expenditures have been duly authorized by council. He is responsible for keeping certain city financial accounts and records; and he must submit, "in conjunction with the comptroller", regularly to council estimates of city revenues and expenditures. He is assigned responsibility for enforcing tax collections, ensuring the deposit of funds, and paying the city employees. The scope of this managerial-administrative authority is not too well described in the statute; he is only given explicit power to supervise officials of the tax, assessment and collecting departments. The city comptroller, on the other hand, is responsible for the direction of the accounting department and for the preparation of the city's annual estimates. Jointly with the city clerk, he is assigned the power to monitor financial activities. The city engineer, like the clerk and comptroller, is responsible to the council. He directs all maintenance activity and supervises all capital projects undertaken on its behalf. He has extensive managerial-executive powers delegated by the council: he organizes, hires, dismisses or suspends employees under his charge; and he may delegate these powers. He also has the authority to conduct inspections and to issue building and other permits.

The City of St. John's Act, in spite of its having been recently reviewed by a royal commission, urgently needs to be completely redrafted. In its present form, for instance, two full pages are devoted to a description of the duties of the city impounder, who is authorized "to seize and impound any dogs, horned cattle, sheep and swine or other domestic animals which may be found straying or at large in any street or public place." The city sanitary supervisor, on the other hand, is given the following power under Section 354:

(a) to oversee the carrying out of provisions of this *Act*, and all rules, regulations and bye-laws having reference to the scavenging of the City, or the abatement of nuisance in connection therewith, and to prosecute all persons who having committed offences against the same, having first obtained permission from the Council;

(b) to manage and have control of the municipal stables, and to employ the required number of men
  (i) for the collection of night-soil, ashes, and garbage,
  (ii) for the sweeping, cleaning and watering of the streets, gullies and drains.

Although it is not explicitly stated as such in the statute, the mayor of St. John's is in fact the city's chief executive officer, as well as presiding officer of the council and official head of the city for ceremonial purposes. Quite a different management model is therefore found in St. John's as compared with that used in the rest of Newfoundland's municipal system. Executive and managerial functions in the city are delegated to a number of department heads, each of whom is responsible to the council and the mayor for the performance of duties. *The Local Government* and *The City of Corner Brook Acts*, as we have indicated, require the use of the strong manager model.

2. Municipal Financial Administration

All municipal statutes make detailed provision for the collection and disposition of local revenues, the preparation and in most cases submission to the Minister of initial and revised annual budgets, the interim or annual audit of municipal accounts, the powers to undertake borrowing together with the restrictions attaching thereto, and the authority to proceed with local expenditures. *The Community Councils Act* requires that budgets must be prepared and submitted for approval to the community's annual meeting, which must be convened before March 31. The meeting, by formal resolution, is required to agree upon the budget proposals, and the resolution, together with the taxes imposed, must then be posted in at least four places within the community. A copy of the budget and of the taxes to be levied must also be forwarded to the Minister.

The Local Government Act defines the municipal fiscal year to be the calendar year and requires all councils to arrange for deposit of funds in any local bank of their choice. All cheques or other bank withdrawal orders require the signature of the mayor or deputy-mayor together with the counter-signature of the clerk.

Before December 1 in each year every council is required to prepare and to submit to the Minister, for the ensuing year, a budget estimate of its revenues and expenditures "in such detail and in such form as the Minister prescribes". If the municipality operates a utility, a separate budgetary submission is required on its behalf. The minister is required to approve or disapprove every municipal budget submitted and is empowered to require the preparation and return of a revised budget. Having first approved a local budget, he may later disapprove it and so advise the council. A municipality may, when it appears that the actual revenue or expenditure "is likely to be substantially greater or less than estimated", submit a revised budget without being directed to do so by the Minister. Section 49 of the *Act* stipulates as follows:

> "Except with the approval of the Minister, the council shall not in any case incur, enter upon, or contract or become liable for an expenditure or indebtedness beyond or in excess of the estimated amount of expenditure set out in an approved budget."

The *Act* also requires that before six months has elapsed in every fiscal year, the Mayor must file with the Minister a signed and detailed report on municipal operations during the fiscal year immediately preceding, such report to include the details of revenue, expenditure, assets and liabilities duly certified by the auditor, together with any report made to the council by the latter official. The audited account must be published "in such manner as (the council) sees fit."

The City of Corner Brook Act requires generally the same budgetary procedure, but provides some additions and differences in detail. The city council must prepare and formally adopt its budgets for both general and utility purposes not later than November 1. These estimates, except with the Minister's approval, must be in balance and must reach the Minister not later than November 30. As with the non-city units, ministerial approval is required and revised estimates may be requested. Sections 64 through 67 of the City Charter, however, introduce procedures not found in *The Local Government Act*. First, it is not lawful for the council to divert any estimated and approved appropriation for a given purpose to some other purpose. Second, when any work is completed for less than the estimated amount, the council may in that case apply the unexpended balance to any other approved work. Third, there is a somewhat uncertain provision set out in Section 66, as follows:

> "If the revenue is less than the amount required to meet the estimated expenditure, the council may direct that the deficiency may be deducted from the appropriations made, or from any one or more of them".

As in most other structural respects *The City of St. John's Act* prescribes a different budgetary procedure than that described above. The city's budget, for instance, although it is formally submitted to the government is strictly not subject to the latter's approval. There is, therefore, no statutory provision for centrally-directed budgetary revision. City officials must begin the preparation of budgetary estimates in December. On or before January 31 in every year revised estimates are adopted by the council, are presented to the Lieutenant-Governor in Council, and are published in two city newspapers. By April 30 of each year the city must supply the Lieutenant-Governor in Council with its audited accounts for the previous fiscal year. When requested to do so, it must also furnish further details in connection therewith. The audited accounts must also be published in two newspapers. Except with the approval of the Lieutenant-Governor in

Council, the city is generally not authorized to allow expenditures or indebtedness beyond its estimated receipts or income. It may do so, however, without requiring government's approval when funds in excess of estimated appropriations are available from revenues, and when the proposed expenditures are within the city's power. Sections 307 and 308 of the St. John's *Act* are the equivalent of Sections 64-66 of Corner Brook's *Act* noted above. Section 309 of the St. John's City Charter, however, contains yet a further provision of considerable budgetary significance. The words of the statute are as follows:

> "Whenever, at the end of the year
> (a) the purpose for which an appropriation has been made has been accomplished and an unexpended balance remains;
> (b) the Council shall determine that any unexpended appropriation does not require to be spent; or
> (c) the revenue of the year is in excess of the estimates and has not been previously appropriated;
>
> the said balance, appropriation or excess revenue shall become part of the general funds of the City, and may be appropriated for any purpose within the jurisdiction of the Council for the next ensuing year."

The effect of this section of the statute, together with the previous sections cited, places the capital city in a different budgetary position than all other municipal units in Newfoundland. Although technically it cannot in law without government's approval actually budget for a deficit, it does have the power to exceed its formally adopted estimates of expenditure in certain circumstances. Under Section 309 cited above, it also has the authority to accumulate in its general fund unexpended amounts which may, but apparently need not, be appropriated in the ensuing fiscal year. Thus it can — and in fact from time to time in the past has — accumulated surpluses which are at the disposal of the city council. No other municipal unit in the Province has been permitted this degree of fiscal flexibility.

Municipal auditors in Newfoundland are appointed by the Lieutenant-Governor in Council, except in the case of local government communities, when they are appointed by the Minister. They must supply a report on each annual municipal audit to the Minister. Interim audits may also be required. Auditors are directed, in particular, to report upon the following matters:

(a) municipal expenditure in excess of the budget approved for the year by the minister;
(b) local tax or other revenue arrears;
(c) the manner in which municipal accounts have been kept;
(d) the adequacy of the safeguards against fraud, including employee bonding;
(e) other matters deemed to be worth mentioning.

In practice, the vast majority of Newfoundland's municipal audits are performed by the provincial Auditor-General for a fee considerably below the prevailing commercial rates. Even the City of St. John's, for instance, avails of the Auditor-General's services.

Municipal borrowing procedure is rigidly prescribed in various sections of *The Local Government Act*. The statutory rule is that subject to the Minister's approval, every local authority may borrow money and issue securities for the repayment of the moneys borrowed. Money borrowed must in all instances be applied to the specific purpose for which the Minister authorized the loan; any irregularity in this respect makes the councillors who voted for such irregular expenditures jointly and severally liable for the restoration of the misappropriated funds, all of which may be recovered by civil action against them. In certain instances the action for recovery may be brought by any eligible local voter or body of electors. Councillors who incur any liability in this matter are disqualified from holding any municipal office for a two-year period from the time their votes are cast. The *Act* also provides for the technical aspects of debenture certification by the Deputy Minister of Municipal Affairs.

Section 32 of *The Community Councils Act* enables communities at special council meetings, by formally approved resolutions, to propose capital borrowing programmes. Every resolution adopted in this connection must be approved by the Minister in writing. But unlike other non-city municipalities, community councils may, without ministerial approval, borrow exclusively for current expenses an amount which at no time is permitted to exceed the yield of 50 per cent of their major revenue sources (business tax, service fee, fuel oil tax and certain miscellaneous levies).

Both St. John's and Corner Brook are permitted in their enabling legislation to borrow money; both councils are required to apply borrowed funds to the specific purposes for which they were authorized. Except in respect of bank or debenture borrowings associated solely with expenditures on development against which local improvement assessments are levied, St. John's is not permitted to borrow without the approval of the Lieutenant-Governor in Council. All borrowings by Corner Brook, on the other hand, require prior ministerial approval.

Lastly, two distinctive features of *The City of St. John's Act* with a bearing on financial administration should be noticed. First, upon a petition of the mayor, the council or any ten ratepayers, the Lieutenant-Governor in Council may be requested to appoint an impartial three-man Commission to conduct an investigation of the finances and administration of the city. If the petition is accepted by government, the commission's report and its recommendations are submitted to the Lieutenant-Governor in Council for consideration. The *Act* also gives the city council, by majority decision, the authority (upon a petition of not less than 10 per cent of the ratepayers whose names are on the most recent voters' lists in all wards) to authorize a referendum on any question of expenditure, work, improvement, planning, taxation, or on any other matter affecting the "improvement or advancement" of the city.

3. Survey of Municipal Administrative and Accounting Practices

Officials of the Department of Municipal Affairs and of the Federation of Municipalities, together with individual mayors and councillors, have often claimed that local authorities need improved systems of administrative and accounting control. With municipal expenditures now reaching

$50 million per annum, there is much justification for their concern, particularly with regard to the smaller municipalities. These units usually have to depend upon parttime staff, many of whom have little or no expertise in this technical area. For this reason the Commission conducted a written survey of all municipalities seeking answers to some 64 questions covering their administrative, accounting and budgetary functions. In addition, one member of the Commission, Mr. Harnett, who is a chartered accountant, visited a number of municipalities of different types and sizes, and interviewed a great many local officials. All told, 60 per cent of the municipalities replied to the questionnaire; the sample was accordingly large enough to give a representative though very general indication of how municipalities are handling their affairs in this sector. It is difficult to generalize on matters of this nature. Only an in-depth study of individual municipalities could give conclusive evidence of the efficiency with which they operate. The survey seems to indicate that in a general way municipalities conduct their affairs in a reasonably efficient manner considering the size of their operations, their staffing limitations, and the turnover in both elected and appointed officials.

(a) *Town Councils*

The survey shows that town councils, which include most of the larger municipal units in the Province, were generally efficient in their day-to-day operations. Over 80 per cent of the towns held regularly scheduled council meetings and all of them kept minutes. Approximately one-half of the towns had written rules of order for the conduct of their meetings. All but one of the towns replying to the questionnaire employed town clerks, three-quarters of whom worked full-time. Mayors tended to have a heavy daily involvement in the operations of their municipalities; but this was more apt to happen in the smaller towns where staff was at a minimum. In some cases the town clerk also acted as town manager, but 40 per cent of towns in the sample reported having appointed full-time managers.

While the type and degree of sophistication of accounting systems varied greatly, a high percentage of the towns maintained complete sets of accounting records. In the larger towns that were visited, accounting records and procedures appeared to be adequate and the methods of internal control satisfactory. While many towns did not use purchase orders, the number of towns that used the procedure of having invoices approved directly by the council was surprisingly high. It is necessary to observe, however, that many good accounting practices and control procedures were not being followed by at least half of the towns replying to the questionnaire. These practices include the following:

- Monthly balancing of subsidiary ledgers for accounts payable and receivable;
- Monthly or at least quarterly aging of accounts and taxes receivable;
- The preparation of monthly reports of receipts and expenditures for regular submission to council;
- The completion of all records by staff rather than waiting for auditors;
- The monthly reconciliation of bank accounts.

The apparent weakness in this area is undoubtedly related to the deficient knowledge and competence of the clerk or of other employees assigned to these functions; in some cases it may also be due to the lack of staff. Good accounting records and regular reporting on financial matters to councils are essential to the efficient operation of any municipality, and all councils should insist on both as aids in their attempt to secure efficient administration in the application of public funds.

(b) *Community Councils, Local Improvement District Boards, and Rural District Councils*

This group of municipalities consists of units generally smaller than town councils. It did not, therefore, exhibit the same degree of efficiency as that found in the larger towns. This is not to suggest that some community councils do not operate more efficiently than some town councils. Taking each group as a whole, however, there is a clear difference in the way in which their affairs are handled. For example, the frequency and regularity of council meetings do not reach the performance levels achieved in the larger towns. As against this finding we note that as a general rule the work load tends to be substantially less in the smaller communities.

Unlike the town councils, where a high percentage have full-time employees, only 40 per cent of the communities replying had full-time clerks; the remainder relied on part-time help. This pattern has an obvious bearing on the type of record keeping found in the communities; the survey indicates, in fact, that very few communities maintained complete sets of accounting records. Furthermore, the internal control procedures available where complete accounting records are maintained are not possible where only limited records are kept. The level of accounting and bookkeeping skills varied greatly in those municipalities visited. In most cases this condition was directly related to the funds available for the remuneration of staff. It cannot be expected that a municipality which pays a part-time clerk $100.00 per month can have the services of a person whose level of competence is comparable to a town which pays its clerk $10,000-$12,000 per annum. In all too many cases, however, the persons performing the duties of clerks have no previous accounting or bookkeeping knowledge and do not receive any training upon taking the job.

(c) *General Comments*

A written survey has but limited value in assessing the adequacy of financial controls and accounting systems, because of the great variance possible in methods used, the accuracy with which records are kept, and the use of these records by staff and councils. As suggested earlier, only an in-depth study of each municipality could properly determine the adequacy of its record-keeping and financial controls. For this reason, the study included interviews with senior officials of the Auditor-General's Department, which conducts most of the municipal audits. The general consensus of the Auditor-General's staff is that, taken as a whole, municipal accounting practice in Newfoundland fails to achieve acceptable standards. Proper staffing would appear to present the greatest problem. A very small number of municipalities have properly trained accounting personnel capable of maintaining a complete set of records and preparing financial statements.

It tends to be the rule rather than the exception, for instance, that the auditors are required to complete a substantial portion of the accounting records prior to proceeding with the purely audit function. This, to some degree, accounts for the long delays experienced by many municipalities in having their audits completed. If the functions of the auditors were confined solely to the audit of the municipal accounts, untold hours could be saved, thus resulting in the workload being reduced and the audits being concluded more speedily. The Commission, however, has acquired sufficient evidence on the tardiness many communities have experienced in obtaining their audited financial statements to conclude that the Auditor-General's Department cannot cope with the workload in view of its present limited staff.

4. Representations Received by the Commission

During its public hearings the Commission heard at least 36 specific proposals relating to the many problems confronting municipal officers. These representations are summarized below:

(a) *Specific Expertise*

One municipality lamented the fact that there was no local source of legal expertise; it recommended that the Federation consider retaining a lawyer to be available to municipalities. Two places recognized the need for engineering expertise: one wanted a fully trained engineer and one only a construction supervisor with some engineering training. (The latter place was the only one during the hearings which claimed that it had no trouble hiring and retaining good staff). A fourth official commented that there was no person a town manager could turn to in a small community in order to obtain advice.

(b) *Pensions*

Nine municipalities and one association recommended that some sort of municipal pension scheme be established. Four recommended a provincially administered scheme; five recommended a pension scheme without specifying its nature. One thought municipal employees should be classified as civil servants so as to take advantage of the Provincial Plan and one thought it should be either set up by the department or administered by a board consisting of members of the department, the Association of Municipal Administrators, and the Federation of Municipalities.

(c) *Security of Tenure*

One municipality recommended that there be provision in *The Local Government Act* for an impartial hearing by officials of the department should an employee be suspended or dismissed by the council.

(d) *Salary*

One municipality was in the unique position of being unable to pay employees as high a salary as it wished, because they would then be at a higher salary level than employees of local businesses. Another municipality complained that it had to raise its salaries because federal government salaries in its area had risen. Four municipalities recommended that *every* municipality needs at least one full-time paid staff member. Two of them recommended a government grant to cover the entire cost of the salary (and the cost of paying councillors), and two of them merely recommended some degree of provincial assistance. One other municipality recommended a provincial subsidy in respect of staff salaries, if that was necessary in order to raise standards of the municipal service to a suitable professional level. One association recommended the establishment of province-wide wage scales related to experience and academic qualifications; it also recommended provincial assistance in meeting wage demands. A spokesman for another municipality said salaries are presently so low that municipal staff really work for charity.

(e) *Training of Clerks and Managers*

One association recommended that up-grading courses be made available to present municipal employees and that, as a second priority, full-time credit courses be made available at both the technical college and the university. Another association recommended that a two- or three-year course be started at either the technical college or the university, for both current and future employees and that the department make a grant to the Federation to enable it to retain some expert to make recommendations regarding educational needs in the Province and to co-ordinate the designing of courses in conjunction with the various educational institutions.

Six other municipalities and one individual merely recommended a training programme for municipal employees, but did not specify its form or content. One municipality claimed that outside workers also needed training of various kinds. One of the remaining five recommended that a Municipal Management Consulting Group be constituted outside the department. An individual recommended an Area Advisory Council to serve a region, to be composed of people with the needed expertise. Three municipalities pointed out that the department is so thoroughly understaffed that it cannot send out its inspectors often enough to really provide much assistance to municipalities. One municipality recommended a formal correspondence course similar to that offered by Queen's University; another a four-year course run by people with municipal experience. Two other municipalities thought that a continuation of present arrangements for the Extension Service seminars was adequate. Two municipalities singled out training in bookkeeping for town clerks as being the most urgent need. It was recommended that there should be two types of courses; one to begin as soon as a clerk is hired but before he assumes his duties and the second as an upgrading course for experienced officials.

(f) *Manuals*

Four municipalities and one association recommended that manuals for administrative and accounting operations and procedures be prepared. Two municipalities were particularly concerned with standardizing accounting procedures.

(g) *Audits*

The most troublesome issue in this area is evidently the delay in getting audits completed in adequate time by the Auditor-General. Two municipalities had their audits done privately and one recommended that the Province subsidize the difference in cost. A third municipality pointed out that it was two years behind in its audits. One of the three also mentioned that the quality of the Provincial audits is poor, and that because of a lack of local expertise, auditors have to assume a training function as well. A fourth municipality recommended that the auditor, whoever it is, should give a detailed critique of budget procedures, in order to alleviate the problem of controlling municipal expenditures. One individual recommended that in large municipalities, a management audit should be done as well as a financial audit. One association recommended that (1) a Municipal Audit Division be established in the Department of the Auditor-General with sufficient staff; that (2) the fiscal year of municipalities should coincide with that of the Provincial Government; that (3) fund accounting should either be simplified or abolished; and that (4) revised municipal budgets should be prepared in June, rather in September.

(h) *Training of Councillors*

The representatives of two local authorities recommended that special short courses should be developed to assist newly-elected municipal councillors.

5. Conclusions and Recommendations

The Commission is unanimous in its conclusion that the strong manager model should be retained and strengthened as the central structural element in Newfoundland's municipal administrative system. It considers that the powers currently assigned to city and town clerks and managers and the procedural framework within which they perform their duties are generally adequate. It is recommended that when the primary municipal legislation is redrafted, the statutes should prescribe management practices and requirements, most of which are not mentioned explicitly in the present *Acts*. *The City of St. John's Act,* in particular, should be advanced beyond the era of night-soil, ashes and the municipal stable.

It is recognized, however, that the fostering of strong managerial leadership in municipal life requires much more than an adequate statutory foundation, expressed in reasonably current language. In a survey of the Province's 199 major municipalities conducted in 1972, for example, it was found that only 38 towns (19.1%) had in fact appointed managers. In addition, only 80 local units (40.2%) reported having appointed town clerks, 43 (21.6%) reported having appointed supervisors of public works, while only four (2.0%) reported engineers on their staffs. It is beyond serious dispute that municipal authorities are inadequately staffed at senior management levels both in qualitative and quantitative terms. Present rates of remuneration and conditions of employment in the local public service make recruitment difficult and produce high turnover rates. It cannot be claimed that any serious attempt has been made thus far to mobilize the resources and skills needed to develop adequate policies and programmes in this crucial area of municipal practice. Remedial action in this sector, it is admitted, will be costly; its progress will be slow and its tangible results will sometimes be uncertain; yet immediate steps should be taken to develop an adequate policy, based upon a small number of tangible, clear and attainable objectives, designed to improve the quality and practical effectiveness of local senior appointees.

(a) *Municipal Officials*

Before sketching the broad pattern of its policy proposals, however, the Commission wishes to draw attention to a number of technical details. One section of *The Local Government Act* specifies, for instance, that councils *may* appoint a town clerk. Certain other sections of the *Act* appear to suggest the *necessity* of having a clerk appointed if the designated statutory procedures are to be followed to the letter. As a matter of practice, a few towns do not appear to have appointed clerks. *The Commission recommends, therefore, that appointment of a clerk be mandatory in all incorporated towns and that the existing statutory uncertainty in this particular matter be ended.*

It is also the view of the Commission that all reasonable steps should be taken as soon as possible to free local authorities from the often negative grip of excessively detailed departmental control. Given certain policy changes recommended below, we see no compelling reason why the salaries of managers, clerks, and municipal department heads should in the future be subject to ministerial approval. It is noted that this requirement is found in *The Local Government Act* but not in *The Community Councils Act.* One submission to the Commission went so far as to recommend that even the appointment of managers and clerks should be made by councils only on the Minister's recommendation, and in accordance with guidelines established by the department. We seriously question, both on logical and factual grounds, the proposition that the appointment of municipal officers only on the Minister's recommendation would produce an improved cadre of municipal officials. We are not, on the other hand, opposed in any way to departmental guidelines in this matter: indeed, we consider them to be essential; and we believe that there should be a considerable development of the department's services to municipalities with respect to the recruitment, training and rotation of municipal officers. The Commission believes that neither statutory rule nor ministerial fiat will enable councils in this particular "to save themselves from themselves". In brief, we believe that the force of local public opinion and the dynamics of the political process will come to supply adequate safeguards in this area, as in others, if they are but given a chance to mobilize and express themselves. *It is recommended, accordingly, that the determination of salaries of town managers, town clerks and municipal department heads be hereafter vested exclusively in municipal councils.*

While we favour strong and resourceful managers, at the same time we believe that elected councils must accept their full responsibility for local policy determination. Procedural arrangements should give ample scope or incentive for the manager to extend leadership and influence; they should continue to require his professional advisory recommendation before major council actions are undertaken. But the procedures facilitating his access to the political decision process should not become the instrument of his dominance in policy matters. *In the proposed Municipalities Act, therefore, we recommend inclusion of Section 43 (2) now found in the City of Corner Brook Act (but not in the Local Government Act), which makes this principle explicit.*

Although some reference to the matter may be found in the *City of St. John's Act*, in respect of the procedures to be followed by the city clerk, the remaining primary municipal legislation does not specify the rule or methods to be followed by either the council or the manager in purchasing materials, equipment and services (e.g., insurance). The Commission believes that public tendering should be used, except possibly in emergency situations, in all municipal transactions above some agreed-upon amount. *We recommend, accordingly, that the procedure of public tendering on all municipal purchases be instituted by statute, subject to the Minister's regulations which should be applied generally.*

Under Section 30 (1) of *The Local Government Act* and Section 42 (1) of *The City of Corner Brook Act* provision is made for the appointment, at the council's discretion, of town and city treasurers. Being department heads, such officers fall under the supervision of the managers. The duties of the treasurers are not set out in the statutes. *The Commission recommends that notwithstanding the directive role of the manager with respect to these functions, the duties and responsibilities of the municipal treasurer should be defined by statute, as is the case with the city comptroller in the St. John's Charter.*

In spite of one submission cited earlier that the tenure of managers under present procedure is imperfectly safeguarded, the Commission is satisfied that existing statutory rules in this matter are quite adequate. Indeed, the two-cycle dismissal procedure required in Newfoundland is uncommon in most other provinces. In most instances, city or town managers can be dismissed for cause by a single affirmative vote of two-thirds of all members of the council. We do not believe that the addition of yet a third cycle involving an appeal in these matters to the Minister, as has been suggested, is an appropriate procedure. The emphasis throughout this report is on the development of a *municipal* system of government. Wherever possible, local leaders should be delegated adequate powers in the exercise of which they must sooner or later assume full responsibility before the bar of local opinion. *We do consider, however, and so recommend, that the procedure giving a measure of security of tenure to town managers be extended to town clerks, since in many municipalities without managers the clerks must, in fact, assume the central managerial-administrative role.*

(b) *Municipal Staffing and Training Policy*

The Commission believes that a suitable general policy framework in which to deal with the Province's currently severe municipal staffing problems should incorporate three distinct elements. First, the department must establish certain minimal programmes aimed at improving the motivation and skill level of existing and prospective municipal employees. A major responsibility in this matter, it should be emphasized, must be assumed by the municipalities themselves. These programmes should be based upon effective training and staff development plans with built-in incentive structures. Concurrently with the introduction of these new programmes, the Province should design and put into effect a new system of personnel advisory services for municipal governments and develop an effective service posture regarding the recruitment, utilization and systematic rotation of municipal officers. Lastly, it is considered impossible to make much progress in the area of municipal staffing generally unless an appropriate province-wide and uniform pension system for permanent municipal employees is made universally available.

The Commission estimates that the total number of permanent employees in Newfoundland's municipal service is now approaching 1,600. (Total employment in all public services within the Province, including federal appointees, is now about 8,700.) A fairly large number of the key municipal officers, possibly as many as half of them, are employed part-time in municipal administration. A primary objective should be one which, within a reasonably short period, enables every municipality to employ at least one full-time clerk. When it becomes practical to do so, this requirement should become a mandatory rule for all local authorities. An exception to the rule may in some instances be possible in the case of some smaller units which may ultimately be included within the proposed regional municipalities. In any event, the total number of municipal employees to be considered in developing the various programmes outlined above is now, or will shortly be, in the vicinity of 2,000.

It is the Commission's opinion that in the training and staff development sphere, immediate priority should be given to the requirements of existing municipal officers and their staffs. In this respect it is necessary to differentiate among four distinct levels of need: first there are the experienced senior management personnel who require one kind of programme and an appropriate motivational scheme; second, there is a much larger number of middle-range and primary or routine administrative employees who require a different programme and accompanying incentive structure; thirdly, there are the needs of both technical and unskilled non-administrative employees; and lastly, training programmes for municipal assessors fall into a separate technical category.

In its approach to this complex question, the Commission, in addition to considering submissions from various municipalities and associations, has conducted a thorough examination of municipal staff training and development programmes in a number of other provinces, particularly those in the adjacent Maritime region. It has studied the design and content of various courses developed and used successfully in other provinces which have as their aim the improved efficiency and effectiveness of municipal employees. It has given particular attention in this latter respect to correspondence courses developed in Ontario at Queen's University, and to similar courses devised by the Institute of Public Affairs at Dalhousie University in Halifax for municipal officers in both Nova Scotia and New Brunswick. (It should be noted that several of the Province's staff of municipal assessors have for some years availed of the Institute's training programme for assessors.)

As a result of these inquiries the Commission has concluded that steps should be taken at once to develop for Newfoundland a system of correspondence courses for municipal employees. It is recommended that a special task force should be established immediately by the Minister and assigned responsibility to recommend within reasonable time a programme with the following precise objectives:

(a) to design a four-year correspondence course, leading to a certificate or diploma, for town managers, clerks, treasurers, planning officers, or other managerial personnel currently employed in the municipal public service;

(b) to design a one-year correspondence course which will serve as an introduction to municipal administration and be available to all administrative employees;

(c) to design a shorter, ten-lesson correspondence course in preliminary municipal accounting which will be available to all administrative employees;

(d) to establish an annual review system for all three courses which will provide for the appropriate evaluation of their effectiveness in achieving stipulated goals;

(e) to evaluate the present seminar for municipal officers conducted each summer by Memorial University's Extension Service and to determine its suitability as a training instrument and its relationship to the objectives (a) through (c), above;

(f) to devise a special training plan suited to the unique language and other requirements of the coastal Labrador municipalities;

(g) to estimate and to recommend an acceptable formula under which the cost of designing and delivering these courses annually can be shared equitably by the Province and its municipalities;

(h) to formulate a system of incentives and requirements incidental to employment which will ensure that local government staffs make early and maximum use of the programmes to be made available.

In pursuit of these objectives, the task force should operate within the following general course specifications. The proposed four-year diploma course should cover the following broad areas: municipal administration; labour-management relations; accounting; public finance and economics; and municipal law. It should be designed to include a comprehensive review of modern administrative practices and management techniques. It should aim to give the student the skills required to identify and deal more effectively with the broader issues in local government. It should be solidly grounded in Newfoundland municipal law and practice and include a small number of seminars involving the participation of senior departmental officials. The course should operate between the months of September and March; each lesson should require a two-week period for preparation and completion.

The proposed one-year, introductory course, on the other hand, should be designed specially for municipal employees who require a basic exposure in the major functional areas of municipal administration. In this programme the focus should be confined to such primary topics as local government organization, office management, the conduct of public meetings, letter-writing, municipal elections, planning processes, provincial-municipal relations and the elements of municipal law. This course should also operate between the months of September and March during each year. The short course in accounting should be aimed at employees who need either basic training or a refresher course; it should employ the programmed learning technique in which the student assimilates the content through a logical, sequential question and answer procedure. This course should be scheduled during the early winter and spring period. Both the one-year and the short course should be available to persons currently employed part-time by local authorities.

In respect of this general proposal the Commission further recommends that the membership of the task force include one representative of the Newfoundland and Labrador Federation of Municipalities and one member of the Newfoundland and Labrador Association of Municipal Administrators. It also suggests, with the utmost emphasis, that in the execution of its assignment, the task force confine itself exclusively to the question of how the three similar programmes already operating in Nova Scotia and New Brunswick, and administered by the Institute of Public Affairs in Halifax, can best be adapted to Newfoundland's needs. We point out that there is a great variety of these courses now in use throughout Canada. A detailed survey of all of them would be both time-consuming and unnecessary. The Institute's programme has evolved over a considerable period and has shown its capacity to meet a practical need in Nova Scotia; it has recently been adapted to meet similar needs in the New Brunswick municipal service; and we can see no reason why it cannot equally be of use in the Newfoundland environment. *Finally, it is recommended that when undertaking its work and formulating its proposals, the task force be directed to make full use of the services and technical facilities available at Memorial University and at the College of Trades and Technology.*

The training of assessors, as in the past, should be undertaken either through the Institute's programme for these technical officers or through some appropriate alternative. The incentive system under which assessors undertake their training, however, should be reviewed and substantially improved, particularly in view of their increased responsibilities as recommended earlier in this report. At present, and in view of urgent priorities in relation to other categories of employees, the Commission does not see fit to recommend any formal training programme for technical and non-skilled municipal employees. It considers, in any case, that primary responsibility in this latter area must rest with the municipalities whose individual requirements vary a good deal.

The Commission does not regard the training of administrators as a miraculous cure for all ills afflicting municipal administration in Newfoundland. Yet it recognizes that the development of an adequate municipal staff is urgently required and has been long neglected. The provision of formal training undoubtedly could contribute important aids in that development. It believes, however, that all training programmes should be very carefully designed and regularly monitored with an eye to their practical achievements. It also believes that both levels of government must share the costs of and the responsibility for these programmes. We do not favour a training plan designed, directed and financed solely by the Province. Local authorities, in addition to assuming a part of training costs, must encourage their staffs to undertake the training to be made available. They must underwrite a part of employee costs associated with course tuition fees and book or equipment purchases; they must recognize in their pay schedules and decisions those employees who successfully complete course programmes; they must authorize in some instances short leaves of absence for certain employees. Municipal administrative staffs, for their part, must know that participation in training courses is an indispensable part of any successful career in the local public service. Because of time and money constraints, the Commission has come to view the "correspondence" approach to training as the only practical avenue to a broad attack on the all-pervading problem of inadequate municipal staff resources.

In its submission to the Commission the Federation of Municipalities recommended that the Provincial government should assume responsibility for the cost of employment of municipal administrators. The exact scope of this proposal was not made clear. Even if — indeed, especially if — it was intended to cover only clerks, managers and principal department heads, the Commission rejects the proposal and the principle upon which it is based. Except in the case of certain designated capital projects, the Commission does not favour "conditional" grants which must be applied by the municipalities on behalf of specific activities or purposes. The only satisfactory system of grants to local authorities is one that is based upon a known and universally applied formula, and whose annual yield can be calculated precisely by each municipality and applied unconditionally in relation to its locally established expenditure priorities. The Commission has attempted to apply this principle in its earlier specification of a re-cast design for provincial support policy. It is anticipated that these fiscal recommendations will enable most local authorities to have access to funds in an amount that will permit them to employ adequate staff complements.

As an alternative to the Federation's proposal, the Commission recommends the development by the Province of a much needed municipal administrative service plan. Such a plan would have three components. First, it would require the department to become active in the establishment of a systematic programme of recruiting adequately trained young men and women who might wish to pursue an administrative career in the municipal public service. The training aspect of this programme should be undertaken at Memorial University, in conjunction with its general academic courses in public administration and commerce, and at the College of Trades and Technology. Some liaison work at the high school level is also required. Second, the department should establish, maintain and operate a central personnel registry of qualified individuals interested in entering the career field of municipal administration or interested in moving from one municipal post to another. The registry should also become a central clearing house for information on all vacant positions, for which no suitable local candidates can be found, within the municipal system. Monthly listings of these job vacancies and potential job applicants should be distributed to all municipal administrators. Lastly, the department, upon its reorganization, should begin work on a series of manuals dealing with the main aspects of Newfoundland municipal administrative law and practice. These documents should clearly set out the operative guidelines of local government administration. The preparation, distribution and maintenance of these manuals, combined with their use in week-end workshops co-ordinated through the department's regional supervisors, should provide an essential information and communication framework which simply has never emerged in Newfoundland. *Among its numerous suggestions, the Commission regards this recommended three-part administrative service plan as a matter of top priority.*

(c) *Municipal Pensions Policy*

The Community Councils Act makes no provision for employee pensions. Under Section 43 of *The Local Government Act* and Section 59 of *The City of Corner Brook Act,* however, municipal councils are authorized to provide pension schemes for their employees. The first *Act* requires that decisions in this matter must be approved by the Minister; the second *Act* does not add this requirement. Pensions may be provided directly out of the revenues of the council, by contract under the federal government's *Annuities Act,* by contract with any private insurance company, or by contract with the Newfoundland government. Legislative provision is made for employee deductions and employer contributions to any scheme adopted. All non-city council regulations regarding pension systems must be approved by the Minister and must be Gazetted. Corner Brook's pension regulations do not require ministerial approval but must be published in a city newspaper. *The Local Government Act* makes no reference to employee transfers to or from other categories of employment. No degree of pension portability is authorized by law. *The City of Corner Brook Act,* on the other hand, does allow the council to enter into agreement with any "local authority or public authority" in the British Commonwealth in the matter of staff pension transfer arrangements. Sections 356-358 of *The City of St. John's Act* enable the city council to provide a pension system for its employees. In this instance, however, the pension is extended to mayors and councillors who, in either capacity, have served in elective office for not less than twelve years in the aggregate. No employee is entitled to a pension unless he has served for at least ten years. A provincial civil servant who enters the city's employ may count his years as a contributor to the Province's pension scheme for city pension purposes. Under its Charter, the city has a very wide discretion in regard to the technical nature of its pension arrangements, and its programme is not subject to governmental review or approval.

Although some of the larger municipalities have exercised their powers in the pension field, the situation existing is in general quite unsatisfactory. This is a well documented fact; it has been the subject of concern for some time to the Federation of Municipalities and to the department. The Commission, for its part, believes that there should be a province-wide pension system available to all full-time municipal employees. Indeed, we regard this change as an essential condition for administrative improvement. The Province of Ontario, it is pointed out, has had such an arrangement for more than fourteen years.

Various proposals and options have been considered, including the suggestion that a general municipal pension scheme be provided under the auspices of the Federation. But the Commission has concluded that the only satisfactory arrangement is to include all permanent municipal employees under the provincial pension system. Section 34 of *The Public Service Pensions Act*, as amended in 1972, authorizes the government by order to include in its pension scheme the employees of boards, agencies, commissions or corporations created by statute. *It is recommended that this Section be amended to provide for the inclusion of the permanent employees of municipal corporations. And it is further recommended that Section 27 of the above Act (which enables certain teachers and members of the Newfoundland Constabulary force to receive credit for pensionable service accrued prior to joining the public service) be amended to authorize municipal employees currently participating in local schemes to carry forward their accrued benefits into the provincial pension system.*

(d) *Accounting Systems, Financial Reporting and Auditing*

The numerous problems which have arisen in these areas are now rapidly approaching crisis proportions. This situation is due to staff resource limitations both provincially and locally, the mysteries and complexities of fund accounting, the absence of clear guidelines and the inability of the Province to supply the necessary services, a progressively uncertain budgetary process, and the growing tendency of municipal councils to consider the audited financial statement as their only real instrument for financial management. It is common in other jurisdictions to find statutory provisions requiring audited municipal financial statements to be completed not later than three months after the close of the fiscal year. In one Newfoundland local improvement district where the Commission held a public hearing in June, 1973, the board chairman complained that he was awaiting the district's audited statement for both 1972 and 1971. This is by no means an uncommon phenomenon. Indeed, for many smaller units an 18 month delay is not unusual.

Confining its remarks at this point to the audit function as prescribed under *The Local Government Act* and *Corner Brook's Charter*, the Commission observes that the currently widespread use of the provincial Auditor-General's services creates both a major bottleneck and a difficult problem. The bottleneck is the result of inadequate staff in the audit department combined with poor administrative practice at the local level. But the further problem which is created results from the fact that the Auditor-General's fees are far below those charged by private accounting firms. It is estimated that at going commercial audit rates, and making due allowance for travel and other usual costs, the Province is actually providing a subsidy on behalf of municipal audits amounting to between $150,000 and $200,000 annually. In the Auditor-General's estimates for 1972-73 and again for 1973-74, for instance, the revenue intake is listed at merely $25,000. It is presumed that the bulk of this revenue accrues in connection with municipal auditing. The Commission has evidence that the fees recently charged range from as low as $50 for a small local improvement district to $500 in the case of a large town. Another large town which has recently been granted permission to use a private auditing firm pays in excess of $2,000 for the service but has its financial statement within 60 days after the end of the fiscal year. The request to use a private auditor must be approved by the Lieutenant-Governor in Council. It may, therefore, take a municipality more than a year to secure the required approval or to learn that the request has not been authorized.

The Commission recommends that, in view of the circumstances, the Lieutenant-Governor in Council be no longer empowered to appoint municipal auditors. Councils should be required to appoint their own auditors. No municipality, however, should lawfully be able to appoint as an auditor a person who is not a licenced public accountant. Furthermore, it is desirable that all appointees should be members of the Newfoundland Institute of Chartered Accountants. The municipal auditor's duties should be prescribed by statute. *Legal provision should also be made for a date upon which audits must be completed.* A date commonly used in other provinces is March 31. Since it is supposed that many municipalities will wish to continue using the services of the Auditor-General, such a date will clearly be impracticable in this Province. Other legal requirements should include the following:

a) within 30 days after completing his annual audit, the auditor shall transmit his certified copy of the municipality's financial statements to the Minister, together with his report on these documents;

(b) when a municipality fails to appoint an auditor, the Minister shall appoint an auditor and the fee charged shall be paid by the Council;

(c) when a municipality appoints as auditor a person not legally qualified to act in that capacity, the Minister shall act as in (b), above.

It is also recommended that the division of the Auditor-General's Department responsible for municipal audits be further developed to keep pace with the growth of municipalities. The aim should be to have all audits completed within six months after the close of the fiscal year. The Auditor-General's fee should be based on cost. These recommended procedures should enable municipalities with the ability to pay to make wider use of outside accounting firms. In this respect it is recommended that in the interest of expediency an attempt be made to secure some standardization of private fees for municipal audits.

Section 347 of *The City of St. John's Act* provides that upon the order of the Lieutenant-Governor in Council the Auditor-General has the power to conduct the annual audit of the city's accounts. *The Commission recommends that this mandatory government power be rescinded, and that the city be placed in the same position from an audit standpoint as all other municipalities.*

It is apparent that the accounting procedures and financial reporting are a source of widespread difficulty in Newfoundland. The Association of Municipal Administrators has asked the Commission to consider a recommendation that fund accounting should either be simplified or abolished entirely. Some simplification, we agree, should be possible. The quest for formal simplicity in today's increasingly complex world is quite understandable. But the abolition of fund accounting in the municipal sector is not a practicable proposal. There is, we consider, only one strategy that is really adequate to deal with complexity; it involves increasing the levels of personnel competence through initial training and retraining programmes, combined with improved communications between the department and local administrative officers. In concluding its comments on these matters, the Commission emphasizes that the problems which it has surveyed are by no means confined to the smaller, more isolated municipalities. One citizen who appeared at the public hearings made the following cogent points concerning the wholly unsatisfactory nature of existing financial reporting in the City of St. John's:

> "It is, at present, very difficult to determine the types of expenditures made by the City of St. John's. This is partly due to statement preparation which groups large amounts of expenditures under meaningless headings, and which do not indicate the cost of various programmes by type of expenditure. In addition, quite large sums are contributed by the City to non-reporting agencies, such as the Transportation Commission and the Stadium Commission. These agencies do not publish financial statements for the general public.
>
> In prepared statements, there is no indication given as to what items should cost as opposed to what they do cost. The city should provide for a management audit in addition to the regular financial audit, and all funds over which the city has control should be reported in detail. Based on an application of the foregoing, everyone would then know the cost of civic government, the type of expenditures it made, on what these were spent and whether or not the money had been wisely spent."

(e) *Municipal Budget Process*

Newfoundland is the only province in Canada where, to an increasing extent, municipal budget-making tends to be in progress throughout the entire year. The statutory provisions relating to local budget preparation and submission were outlined earlier. It has been shown that these arrangements are unique in Canadian municipal law; they give very great powers of discretion and review to the Minister and his officials. Municipal budgets are prepared late in the fiscal year and must be formally adopted by councils not later than December 1. After having received local approval they must then be submitted to the Minister, although no statutory deadline in this last respect is specified. There is as well the explicit legal requirement that, except with the approval of the Minister, all municipal estimated revenues and expenditures must be in balance.

Budget preparation should begin with an attempt to estimate the revenues that will accrue in the ensuing fiscal year from existing taxes and non-tax local revenues at their present rates, together with the probable yields of federal and provincial grants. Next, an attempt should be made to determine the likely costs of all existing expenditure commitments and service programmes. If in the ensuing year these costs in the aggregate are estimated to increase, due either to inflation and to wage negotiations or to programme and other foreseen changes, the added revenues required to achieve a balance must be found.

For two principal reasons this orderly process of estimation cannot in the ordinary course be followed in most municipalities. In the first place, very few local authorities have at their disposal the capacity to determine accurately, before December 1, the probable expenditure on their current year's operations. Indeed, a great many will not even have accurate expenditure figures for the preceding year. In the second place, while these same limitations apply with respect to estimating current locally-raised revenues and projecting their probable yields, there is a major area of uncertainty which in recent years has been added as a consequence of the Province's distinctive fiscal approach to the support of its municipalities. The concrete implications for most local units of just what may become available in the way of provincial grants, apart from the revenue and road contributions, do not normally become known until well after the end of the Province's fiscal year. At the very minimum, therefore, this information only becomes available *four months after* the councils must approve their own budgets.

Long before budget approval by councils is required, however, municipal leaders across the Province are bargaining intensively with provincial leaders for urgently-needed expenditure programmes, various capital projects and "emergency" assistance to deal with "unforeseen" current budgetary shortfalls, most of which are associated with local bank or debenture interest obligations. During this pre-budget process provincial leaders undoubtedly make a great many explicit, implicit and conjectural bargains or commitments whose real fiscal consequences do not materialize until much later. The Commission believes that to a dangerous degree, as a consequence, municipal budget preparation in the Province has degenerated to the point where local authorities include in their expenditure estimates what they consider can be extracted from the Province, and then "balance" their initial budgets by inflating, often on pure conjecture, their anticipated revenues accruing from external sources.

The dual aspects of this budgetary arrangement interact in curious ways to produce many situations of uncertainty, tension and misunderstanding. They lead to the proposals noted earlier to have the municipal fiscal year coincide with that of the Province, and to move the deadline for submitting revised budgets forward to June from September. The Commission does not accept these latter proposals for the reason that they clearly imply a continuation of the present budgetary process. We propose as an alternative a much more fundamental attack on the root cause of the problem.

In Part III of this report a broad fiscal strategy for municipal development is recommended. If implemented as policy, it should substantially broaden the municipal revenue base and reduce to a minimum the steadily growing discretionary element in the Province's various municipal support programmes. Taken by themselves, these proposals should produce a tangible and early improvement in the municipal budgeting process. Growth of local administrative skills will also make its contribution in this respect, although for obvious reasons major advances in this sector should not be anticipated immediately. Improved and speedier methods of preparing and auditing municipal financial statements will clearly lead to improvement, as will the proposed expansion of the department's administrative service functions. The potential contributions of each of these primary recommendations, however, will be of small avail and clearly may be placed in jeopardy unless the present budgetary process is completely restructured. ***For this reason, the Commission recommends the introduction of an entirely new legal, procedural and administrative framework for municipal budgeting in Newfoundland.***

Some of the Minister's powers respecting municipal budgets should be swept away completely. He should have no power whatsoever to authorize any municipality to budget for a deficit. His power to approve municipal budgets should be rescinded; his power to require revised municipal budgets should be terminated. In short, ministerial control over municipal budgets should be placed on exactly the same footing as it is in the City of St. John's and in most other Canadian municipalities. The legal remnant in respect of local budgets would incorporate the following elements:

(a) municipal budget estimates must be prepared and adopted by councils not later than December 1;

(b) budget estimates must be prepared on a *revised* form prescribed by departmental regulations;

(c) budget estimates must include *only* those elements of non-local revenue for which formal authorization has been received from government;

(d) budget estimates must in *all* cases be balanced in regard to revenues and expenditures;

(e) no current or capital special or reserve funds must be authorized in respect of any municipality;

(f) local budget estimates must be integrated (the practice of presenting a separate utility budget should be discontinued);

(g) where a current budgetary surplus is indicated, it, together with the actual surplus for the preceeding year, must be credited to the estimates for the ensuing year;

(h) where a current budgetary deficit is indicated, it, together with the actual deficit for the preceeding year, must be debited against the estimates for the ensuing year;

(i) all municipal budgets set out in the prescribed forms must be in the hands of the Minister not later than December 31.

The fiscal proposals recommended earlier would enable the department to calculate precisely the amount of the general municipal grant to which each municipality is entitled during the ensuing fiscal year. Fairly accurate estimates of the matching grant should also be possible. The proposed new procedure respecting capital grants to municipalities, on the other hand, will enable the Province to complete its decisions relating to projects in the ensuing year not later than September 30. Not later than October 15, therefore, each municipality should receive from the department an official notification of the estimated amount of its general grant, its property tax matching grant (if applicable), and its authorized capital grant (if applicable) for the ensuing year. Municipal budgets should be prepared within this rigid but explicit framework.

If these proposals were adopted, Newfoundland's municipalities would to a much greater degree than at present become in fact what they already are in law, namely, corporations vested by statute with delegated authority and obligated to assume their responsibility in the exercise of that authority. A provincial fiscal policy in regard to municipal affairs that is reasonably generous, equitable, unambiguous and formula-based should facilitate the needed transition. The "arm's-length" fiscal strategy recommended in this report should not be interpreted to mean that, where circumstances warrant it, the Minister would be unable to provide emergency local assistance. On the contrary, his discretion in this matter would remain unimpaired; but it would be confined to *bona fide* emergencies: fires, floods, storm damage, earthquakes, tidal waves, major economic dislocations and other unusual events, including unforeseen major failure of essential local capital facilities. Special grants, in short, would no longer be available for the following local expenditures: the provision of legal fees associated with community incorporation; providing the designs for town halls; filling local swamps; printing local regulations; underwriting local assessments for school tax authorities; paying the cost of public hearings in connection with municipal plan revisions; demolishing water towers; installing street lighting; underwriting local election expenses; "cleaning and backfilling the old dump site"; repairing breakwaters; underwriting local clean-up programmes and minor road repairs; completing community halls and recreation centres; providing "essential municipal services"; maintaining "public services"; financing "public improvements", skating rinks and playgrounds. *Special grants for these purposes should be terminated, along with the much more substantial "emergency" support grants which have recently emerged on behalf of current local bank, interest and debenture obligations.* Under the budget system herein recommended, all of the costs associated with these expenditures would become a charge on current local budgets.

In connection with capital projects, a completely new two-part procedure is recommended. First, quite separate from its budget preparation, each municipality that is currently receiving a water and sewerage subsidy or that has received a major capital grant during the past five years (stadium, recreation centre, fire truck, paving, incinerator, etc.) should be required to prepare a five-year *capital project forecast.* In addition, every municipality seeking a capital grant for the first time should be required to prepare such a forecast before its capital grant application is processed. Once they are prepared initially, these forecasts should be revised annually on a five-year time horizon. Not later than June 1 of each year they should be submitted to the Municipal Capital Projects Board, a new agency to be established in the Department of Municipal Affairs and Housing. The format of the capital project forecasts should be prescribed by regulation and departmental service officers should in some cases assist with their annual preparation.

Second, when a municipality wishes to obtain a capital grant from the Province, the Commission recommends that it be required *in the preceding year* to make formal application as early as possible, but in any case not later than June 1 to the Municipal Capital Projects Board. The format of the capital grant application and the procedures to be followed in connection with its submission to the board should be prescribed by regulation. It should be mandatory, for instance, that every council applying for a major grant supply representation at some convenient time in support of its application. As indicated above, provincial decisions on capital projects made by the government, on the recommendations of the board and of the Minister, should be formally communicated to municipalities by October 15 in adequate time for their inclusion in local budgets.

The intent of these recommendations, taken as a whole, is first to introduce a greater degree of responsibility in municipal budget preparation and local financial administration generally, and second to diminish the wholly excessive degree of provincial fiscal discretion in local affairs that has emerged in recent years. The proposals in respect of capital projects are intended to facilitate the integration of the municipal and provincial capital budgets. Equally, however, they are intended to rationalize or improve the distribution of capital assistance to municipalities. Present arrangements, in the Commission's view, make it virtually impossible to achieve any advance toward either of these important goals.

The Commission is satisfied that during the last quarter of a century, notwithstanding a considerable agenda of problems, sufficient basic experience has been accumulated and a sufficient general maturity has emerged in Newfoundland municipal life to warrant the fundamental changes herein proposed. It accepts the probability that some municipalities will encounter budgetary problems during the transitional period. It would not accept the inference that the proposed changes are of a nature calculated to ensure that a significant number of local authorities will run amuck in financial matters. Some negative consequences, it is admitted, are inevitable in such an experiment; but they do not appear to be of a magnitude sufficient to render the proposed changes generally unworkable in practice.

First, the department will in the new framework be required to monitor local fiscal affairs as rigorously as it does at present. Through the expansion of its administrative services, it should be able to prevent or at least to limit the frequency and scope of the many difficulties that currently bedevil provincial-municipal fiscal relations. The design and initial use of a new municipal budget format could be troublesome; but that risk must be faced squarely. The new form should be structured in terms of programme and performance principles; it should require a much greater "local information" input and more detailed preparation than the present form appears to demand. The system which is herein proposed will permit actual deficits as distinct from estimated or budgetary municipal deficits; this feature may be considered a technical weakness. The reply here is that these deficits occur at present, despite the budget revision procedure. The legal requirement that current surplus and deficits must be carried forward as credits and debits in the ensuing year has two consequences. First, it will release the "locked-in" surpluses that develop under the present system; second, it should in the case of current deficits induce greater accuracy in the initial estimates and greater sensitivity to expenditure control, since any deficit would be debited against revenue potentials in the ensuing year. The last point to be made deserves at least a moderate emphasis: the system recommended, apart from its capital projects aspects, has worked tolerably well for over a century in some Canadian provinces.

For greater certainty, however, we add a final rider which perhaps ought to be considered for use during the transitional period. If a local authority should actually incur major deficits in, say, two consecutive years, *the Minister should be empowered, at his own discretion, to introduce a temporary regime of "partnership budgeting" in that municipality. Under such a formula, to be reserved for exceptional cases, the preparation of the next local budget would be undertaken in consultation with a designated departmental official. Alternatively, units experiencing repeated deficits might be required to have their budgets approved by a provincial budget review board. In extremely difficult cases involving local default on borrowing or fraudulent mismanagement, on the other hand, the Minister would use his present authority to appoint an administrator, a commission or a comptroller. It is emphasized particularly that none of this latter ministerial power is in any way circumscribed or limited by virtue of the Commission's recommendations.*

A matter requiring brief attention concerns the budget process in the local government communities. It will be recalled that these budgets in point of law do not have to be accepted locally until March 31. Although they must be sent to the Minister within a specified time, there is no statutory provision requiring ministerial approval. Hence there is no express requirement for budget revision. Indeed, in *The Community Councils Act* the emphasis is much more on local acceptance than on provincial acceptance. After the budget is prepared, in the first place, it must be approved by the community's annual meeting. Second, after it is approved formally by resolution, four copies of the resolution must be posted in at least four public places. It has been represented to the Commission that for two reasons the provision requiring budget approval at the annual meeting creates difficulty. In some communities several attempts are required before turnout enables business to proceed with the required quorum in attendance. This phenomenon is alleged to delay unduly local approval of community budgets. A second complaint is that "roughnecks" or unenlightened gentry can assemble at the annual meeting and defeat the budget prepared by the elected councillors. One person has even suggested that community budgets should be prepared and approved solely by the councils without reference to the annual meeting. The Commission believes that while there are undoubtedly scattered trouble spots, the existing procedures in general appear to work well. We were told, for example, that the quorum problem was easily solved: councillors had merely to circulate a rumour in advance that they intended to recommend a tax increase. Proxy voting is a neat theoretical solution; but unfortunately it would generate more problems than it would solve. Furthermore, the results of the attitude survey question on this matter indicate a general preference for collective decision-making at the annual meetings. *Accordingly, no change in the existing procedure is recommended.*

(f) *Municipal Borrowing*

With a single exception, the present legal and administrative arrangements respecting the technical aspects of municipal borrowing and its control appear to be quite adequate. Apart from the single case of St. John's, and then only to a minimal extent, no local authority can borrow without ministerial or governmental approval. For very good reason, this general limitation is found in all municipal systems across Canada. The exception referred to above is short-term bank borrowing to ease cash-flow problems and to facilitate the execution of seasonal works in municipalities. The Commission has found that all provinces other than Newfoundland now permit their local authorities access to the banks, without prior ministerial approval, for the purpose of obtaining current, short-term loans as described above. The total amount of such borrowing is invariably limited, usually to some fixed percentage of the estimated current or previous year's revenue yield. We have noted that *The Community Councils Act* authorizes such borrowing without prior approval. *We recommend therefore, that municipalities be extended the equal privilege, but that instead of being authorized to borrow for current account purposes not more than 50 per cent of the estimated yield of certain major taxes, they be empowered to borrow, for short-term and current purposes, not more than 20 per cent of the estimated yield of all taxes levied. Furthermore, all loans arranged in any fiscal year under this procedure should be liquidated during the same year.*

6. Summary

Except in St. John's and the local government communities, the basic legislative design for Newfoundland's local administration is solidly grounded in the principle of the strong town manager. Given the circumstances now prevailing, this model is deemed to be the most appropriate; in the opinion of the Commission it requires only marginal adjustments. In practice, however, the manager system needs to be much more widely used. The staffing of municipalities at both the senior administrative and technical levels is clearly in need of improvement. Municipal clerks, in particular, are insufficiently trained to perform their tasks with effectiveness. Although exceptions exist, general administrative and accounting skills in municipalities are inadequate. In the Commission's view, reform in the administrative sphere should be thorough and fundamental in nature: it should provide new training and recruitment programmes, a new policy of administrative services provided to local authorities by the department, and a province-wide, universal pension scheme for all full-time municipal employees.

Financial administration and budgetary techniques are in a very precarious state. Traditional approaches to the preparation and auditing of municipal accounts can only be described as anachronistic. Financial reporting in general is of small use in communicating effectively the nature of municipal operations; and because of their unusually late completion patterns, audited statements are now almost valueless as local management tools. Municipal budgeting has in recent years degenerated to the point, where, in the Commission's view, it threatens the very foundations of municipal life. Primary emphasis is accordingly given to a basic reform in this sector.

Adequate administrative support for local government depends in a critical manner on suitable salary levels, the availability of competent personnel, almost continuous in-house and correspondence training programmes, and effective liaison with departmental technical and service personnel. It is considered that the fiscal proposals made earlier in this report should provide local authorities with sufficient resources to acquire an effective core of full-time senior administrative staff. The subsidiary administrative, personnel and financial programmes recommended in this chapter are intended to build in further strength and adaptive capability for the next phase of Newfoundland's municipal development. But the Commission wishes to caution that no easy or quick solution to basic deficiencies in this complex area is possible. Improvement will be possible only through a purposeful experimentation in pursuit of goals that are mutually shared, through carefully designed and continuously evaluated programmes, and through joint acceptance of the responsibility for, and the cost of, policy departures by both the Province and its municipalities. We believe that the Province should provide resources and leadership in this important venture within a recast policy framework; but local citizens and councils have an equal and perhaps a greater challenge in confronting the stern realities of change and development.

Chapter 13

The Structure and Functions of Municipal Regions in Newfoundland

1. Introduction

Under its terms of reference, the Commission was directed specifically to inquire into the possibility of establishing regional municipal government in Newfoundland. In its public attitude survey, at its public hearings and in its communications with individuals and groups, efforts were made to stimulate discussion on this subject generally, and more precisely to elicit public views on such matters as the following:

(1) the desirability of establishing regional government in any form;

(2) the various regional structures which might be suitable for Newfoundland, given its distinctive demographic, economic, and municipal environments;

(3) the service functions, if any, that should be delegated to regional municipalities, bearing in mind the existing allocation of functions among the Province and its various categories of local authorities;

(4) the most appropriate fiscal framework for, and the probable added costs associated with, the introduction of any particular form of regional municipal government.

The Commission received only 13 major proposals which dealt with the matter of municipal regions or with some aspect of regional problems. Most of these recommendations, moreover, were extremely brief and of a very general nature. One proposal was made formally by an official of the St. John's Metropolitan Area Board. Another was in the form of a submission to the Province by the Great Humber Joint Council requesting the establishment of a Great Humber Rural Area Board. Although it was not presented directly to the Commission, this latter proposal was considered along with others. The Newfoundland and Labrador Federation of Municipalities, the Newfoundland Federation of Labour, the Newfoundland Association of Professional Engineers and the Green Bay Economic Development Association each provided the Commission with its views on this topic. Finally, some six individual representatives and one engineering company offered their comments either orally or in writing on the regional requirements of Newfoundland's municipal structure. Summaries of and excerpts from these and other presentations are provided later in this chapter.

As part of its research in this important sector, the Commission undertook a broad survey of regionalism at the municipal level in Canada. Particular attention was given to the following areas: Alberta's successful experiment since the early 1950's with (single-tier) rural, omnibus counties; Ontario's more recent experiments with (two-tier) metropolitan, urban-centred and rural regional units of government; Quebec's new metropolitan structures and its provincially administered northern rural regions; British Columbia's (two-tier) regional districts, so-called, introduced in 1965 and now fully established across that province; Winnipeg's experiments with federal and unitary models of metropolitan government; and New Brunswick's municipal experience since the abolition of its traditional rural (single-tier) municipalities in 1967. No attempt is made in this report to summarize all the results of such a wide-ranging investigation. It is merely indicated that the Commission's approach to regional questions is strongly influenced by this broad perspective.

In addition, there has been considerable discussion with Newfoundland provincial officials in connection with the regional aspects of the inquiry. The Commission was given access to and has studied all available regional planning studies, various internal working documents prepared by different government departments and organizations, and all the available historical reports and recommendations bearing upon the subject. Very early in its work, for example, it was supplied with the interim report of the consultants then working on the *St. John's Urban Region Study*. After the publication of this latter study, more than a year ago, its final recommendations were fully considered.

At one point it was believed that the Commission could provide a suitable public forum for discussion of the numerous recommendations and three strategic options which were set out in the latter study. In the event, due to timing problems, such a course proved to be unsuitable and the public hearings in St. John's did not focus strongly on the regional issue. When making its presentation to us, however, the St. John's Metropolitan Area Board dealt with the capital area's governmental requirements. In fact, it presented its own image of an appropriate area-wide system of metropolitan government in which the Board itself would play a central role. That presentation we include in a later section of this chapter, since it represents an option additional to the three provided by the consultants in the *Study*.

But we make no attempt in this report to deal authoritatively with the question of an appropriate metropolitan framework of municipal government in the capital region. For one thing, a special Commission has been appointed which has conducted its own public hearings, and which presumably will in due course complete its own full investigation on the practical implications of the *Study*. And it is also our view, secondly, that all the technical features touching upon the many complex structural and financial aspects of regional reform in the capital area have by now been thoroughly, indeed exhaustively, studied by very competent analysts over a period exceeding five years. We have reviewed all of these materials and, possibly apart from some brief additional commentary on the subject later in this chapter, believe that both the Province and the municipalities directly or indirectly involved now have at their disposal all the technical bases they require in order to proceed to the decisions which must shortly be reached. Pending the completion of these final inquiries, the Commission considers that there is great urgency in this matter due to the wholly unsatisfactory nature of current arrangements.

In this chapter the Commission outlines the main structural features of municipal regions, both the traditional one-level and two-level varieties that have existed for well over a century and the newer forms that have emerged within the last two decades. The regional experiments in heavily concentrated metropolitan areas are not of primary concern for this study. Instead, we focus on regional forms that have been widely applied outside the major city centres in Canada. Particular attention is given to both the structure and operation of British Columbia's recently introduced system of regional districts. Before the introduction of these regions, which began in 1965, the latter province, like Newfoundland, had a substantial population living outside of incorporated municipalities. Now all of British Columbia's populated territory is incorporated. Next, attention is directed to the demographic, economic and administrative aspects of Newfoundland's regional structure. Since this whole question of regionalism is considered to be of central importance to the development of Newfoundland's municipal system, the Commission deems it necessary to give a thorough account of the views which were expressed to it in various briefs and in discussion at public hearings. These materials are presented in a separate section, which is followed by a detailed outline of the functions and structure, together with the fiscal and administrative provisions considered to be appropriate for a system of regional municipal government in Newfoundland, exclusive of the Labrador region. Finally, there is a section dealing with basic options, conclusions and procedures and a short supplementary note on the relationship between regional municipal government and regional administration in general.

2. Traditional Models of Municipal Regions (Counties, Townships, Districts)

Both as concept and as fact, regionalism has always been important in the municipal political process. It was a significant matter in the several reforms of the English municipal system in the nineteenth century and in the development of the American municipal system. Elements of both traditions influenced the original Canadian model of regions adopted over a hundred years ago in the first four provinces. This original regional system was later adopted by the newer provinces as they either entered Confederation or were established as provinces within it. But regions were never developed in Newfoundland nor in Prince Edward Island. True, the latter province has its counties, but they are not rural municipalities.

Traditional regional municipal systems were of two types. The first consisted of blocks of rural territory called municipalities or counties (Nova Scotia), counties (New Brunswick), rural municipalities (Manitoba), and districts (British Columbia). These units were rural territories varying in size and including rural sub-units variously called districts, parishes, and so on. The traditional regions had elected councils responsible for all municipal functions within their borders, except those delegated to incorporated cities, towns, villages or other urban municipalities inside their territory. Various financial and other arrangements in the different provinces emerged to control the relations between the rural regions and the urban units enclosed within their boundaries. These regional systems were called single-tier units, because they were assigned total responsibility for all rural local functions. The next tier of government was the provincial level.

The second traditional regional model emerged before 1867 in Ontario and Quebec. In these provinces, the basic level of rural territory organized for local government purposes was the township, modeled on the famed New England township. Quebec also developed a small number of united townships. These units were assigned some rural municipal responsibilities, but not as many as in New Brunswick or Nova Scotia. Next, a second-tier was added consisting of larger territorial units called counties. These had separate municipal responsibilities delegated by the legislature. In this system, rural municipal authority was precisely divided between two levels. Complex administrative and political relations then developed among townships, counties and the incorporated cities, towns, villages or other urban units within their borders, on the one hand, and between all established municipalities and the province on the other. With the exception of British Columbia, Alberta, New Brunswick, Newfoundland and Prince Edward Island, and parts of territory in the central provinces immediately adjacent to the larger urban-metropolitan centres, all organized rural municipal territory in Canada continues to use either one or other of the traditional regional models described above.

From a historical standpoint, then, Canadian municipal regions were developed as corporate bodies to engage in local government functions in rural territories and to supply certain services for which initially the provinces did not wish to assume responsibility: purely local services, but also primary and secondary education, township and county roads and bridges, rudimentary welfare services, some aspects of the administration of justice and, in some jurisdictions, certain public health functions. The boundaries of these regions were determined in complex ways by the interplay of geographic, demographic, economic and other forces — the length of time a man on the periphery needed to walk or travel by horse to and from the regional capital (shiretown) being always an important consideration. Sometimes, as in the Maritime and Prairie provinces, these municipal regions were organized wholly as single-level (one-tier) units of government. Regional councils, in short, were elected directly by ratepayers in the parishes or sub-districts within the region, obtained their revenues directly through tax assessment of rural, mainly farm property, and assumed administrative responsibility for all functions within the region except those assigned to incorporated urban units within their boundaries. When separately elected local school boards were established, they obtained the bulk of their funds by requisition on these regional municipal governments.

In Ontario and Quebec, this single-level regional system of rural townships was in the early years supplemented by a second level of larger regions called counties. County councils in the two central provinces were not directly elected bodies; their members consisted of representatives from the councils of the smaller rural townships, villages and (in Ontario) towns. The smaller rural regions continued to provide local services and collect taxes; the counties assumed responsibility for the courthouse, the county jail, land registry office, county home for the aged, and certain county roads.

As part of its examination of the development of local government in Newfoundland, the Commission obtained a copy of the study made in 1953 by Mr. J. C. Crosbie, in which a "county system" of government was proposed for the Province. The model suggested was very similar to the single-tier system described above, and the recommended county functions were about the same as those found in Nova Scotia's *Municipal Act* of 1940, *The New Brunswick Counties Act* of 1950, and the Ontario municipal legislation then in effect. It was Mr. Crosbie's view that a two-level system of regional organization was unsuitable for Newfoundland. The type of county proposed was to have the usual powers for local administrative purposes and was described as a "basic unit of rural municipality" (p. 41). Its development, however, was not to interfere with the process of incorporation of towns and community councils within its boundaries. At the time the study was written, the number of incorporated towns and communities within the Province was only about 40. With a few exceptions, it was not contemplated that counties would assume jurisdiction over major provincial responsibilities in education, health, welfare or the administration of justice. In those days the roads of the Province were grouped into three categories: high roads, secondary roads and local roads. Highroads were to be left under Provincial jurisdiction. And so too (curiously) were local roads, except those in the incorporated towns or other municipalities. But the county was to assume responsibility for secondary roads, provided the Province assisted generously with suitable grants for this purpose. There was a general suggestion that investigations should be undertaken to determine what additional provincial functions might be assigned to counties. Accordingly, this important question remains largely unresolved in the study.

There was a proposal, as well, for the restructuring of school boards in terms of county (dual) denominational units, and a somewhat qualified comment that "If the new counties were made responsible for financing construction and maintenance of schools, buildings and equipment, then there would be a direct contribution from local inhabitants for their schools." (p. 54) There is also some uncertainty in the study whether the then existing municipalities were to be "excluded from the area of county jurisdiction" or not for local fiscal purposes. But if they were excluded, counties were to be empowered to levy a poll tax, a business tax, together with vehicle, telephone and other miscellaneous taxes. They were not to be assigned the power to assess and to tax real or personal property. Counties were, however, empowered to receive grants-in-lieu in respect of all crown land and property within their borders. They were also apparently to share with the Province the proceeds of liquor licensing and of vehicle licencing as in British Columbia and Ontario. Provision, finally, was made for joint expenditure programmes, similar to those developed in Nova Scotia, involving the county and incorporated units within its territory.

The whole proposal was rationalized in terms of the benefits consequent upon administrative decentralization, a new design for educational finance, and a much improved coordination "at the secondary level" among the proposed counties, existing municipalities and provincial department field structures. The suggestion that counties should become responsible for cottage hospitals was considered but rejected. The size of the proposed counties, their number (16?), the location of county administrative centres and other matters were not dealt with specifically. Mr. Crosbie did believe, however, that his proposals in respect of educational matters would be regarded as "too visionary". In the event, his projection was obviously quite accurate. And the county system which he proposed was never introduced.

3. Recent Metropolitan-Suburban Regions

Next, some attention is given to the more recent experiments in regional government. These newer forms are of two basic kinds: the first category includes the various attempts to develop adequate substitutes for older urban-suburban forms of local government in heavily populated and fast-growing metropolitan centres. We have in mind particularly the metropolitan governments of Toronto and the regional unit of Ottawa-Carleton; the new Urban Communities of Montreal and Quebec City and the recently established Outaouais Regional Community centred in Hull, Quebec. Other examples include the two interesting Winnipeg experiments, first with a federal and now with a unitary regional system, and the regional municipalities adopted in Niagara, York, and Sudbury. Most of these models were examined as a background for the St. John's *Urban Region Study*. Accordingly, they do not relate directly to this inquiry.

4. Other Regional Models

The second category of recent regional experiments which does deserve closer scrutiny in relation to the Newfoundland setting, outside of the capital region, includes the following units: the four "territorial regions" in Quebec, namely Abitibi, Mistassini, New Quebec and Ashuanipi, the latter being immediately adjacent to Labrador; secondly, the 30 Alberta rural counties which have been established since 1951; thirdly, the 28 British Columbia regional districts which are now functioning in all parts of that province; and possibly the new "district municipality" of Muskoka in Ontario. A brief sketch of each of these regional models will suffice to convey their essential structures.

(a) *Quebec Territories and Alberta Rural Counties*

First, the Quebec units can be dismissed almost at once, for they clearly are not municipalities in any real sense. In fact, they are very large, thinly-settled territories called regions, but they fall under direct Provincial administration. The Alberta Counties, however, are *bona fide* rural regional municipalities, established originally on principles somewhat similar to those embodied in the traditional English omnibus county boroughs. Although there have been some subsequent though minor changes, the following early account (1956) of how these bodies were established was provided by Dr. E. J. Hanson in his *Local Government in Alberta:*

> "The County Act of 1959 authorized the formation of omnibus authorities in not more than four rural areas of the province. The executive council was permitted to form a county only after receiving a resolution that this be done from a municipal council or a school division board having jurisdiction over a major part of the proposed county. The act provided that immediately after the expiration of four years from the date of the formation of the county, a plebiscite of electors should be held to determine if they were in favour of continuing the county system or of reverting to the former system of local government.
>
> The act empowered the Provincial Government to incorporate by order-in-council all or part of any existing municipality, hospital

district or school division into a county. The order was to fix the number of county councillors to be elected (an odd number not in excess of eleven) and to establish electoral divisions within the county.

Upon the formation of a county the privileges and liabilities of the municipal districts and school divisions within its boundaries ceased to exist. If a municipal district, hospital district or school division was only partially included in the county, its assets and liabilities were to be apportioned under the supervision of the minister of the provincial department concerned. If any of these units were wholly included in the county its assets and liabilities were vested in the county council.

The chief executive officer of a county was chosen by the councillors from among their own number. A secretary-treasurer was to be appointed, with the rights and duties of the secretary-treasurers of school divisions, municipal districts, and hospital districts.

The county council was required at its first meeting each year to appoint at least three members of the council to a municipal committee, three to a school committee, and three to a hospital committee if one or more municipal hospital districts were included in the county. The school and hospital committees were to have additional members consisting of representatives of incorporated towns and villages whose schools were under county authority, and of co-opted members if the council so desired. In each case, the majority of members on a committee must be elected councillors. Maximum membership was fixed at seven of which not more than three could be town-village representatives. Each committee was to exercise all powers and assume all duties conferred upon municipal districts, school divisions, and hospital districts under The Municipal Districts Act, The School Act, and the Municipal Hospitals Act respectively, except for the powers to borrow money, to pass by-laws, and to do such things as are reserved from time to time by the county council or the executive council of the province. Each committee must submit annually an estimate of its financial needs for the forthcoming year. The Council, after consideration of the estimates, was to frame and adopt the budget for the county. The portion of the budget alloted to each committee would be spent under its jurisdiction. The county council was given the power to requisition for school and hospital purposes upon any incorporated town or village which received these services from the county authorities.

The County Act encountered much criticism after it was passed. Much of the criticism, especially in the daily press, was concerned with the methods by which the reform was to be effected rather than with the main features of the county system itself. When the bill was first presented to the legislature, its terms did not limit the government in the number of counties that could be formed nor did it make it necessary for the resolution from one of the local governments in an area to request such a reorganization before a county could be established. This was entirely in the Alberta tradition of 'waiving the rules'. However, the act as passed limited the number to four and called for local government resolutions.

> Further, the act reflected the opposition from the press, from educational and other groups, and perhaps from some members in caucus for the plebiscite clause was inserted before passage. Some critics of the act suggested that a plebiscite be held before a county be established — in which case probably no counties would have been set up. Others claimed that a county should be set up only after a petition signed by a certain proportion of the ratepayers in an area had been received. Some critics argued that local governments were 'sovereign', and implicitly assumed that a 'federal' relationship existed between the provincial and local governments within which each has rights and obligations upon which the other cannot infringe. This argument is, of course, sheer nonsense, for the local governments of a province are the 'creatures' of the Provincial Government. It can create and destroy them at will under the terms of the Canadian constitution."

As indicated above, there are now 30 of these single-tier regional municipalities in operation, and the procedural requirement that their fate had to be determined by general vote after four years has in fact resulted in only one county (Sturgeon) having been dissolved. The Alberta experiment was unique by North American standards, involving as it did a strong departure from the tendency noted earlier to establish many special-purpose agencies. Specifically, it challenged the almost universal principle of separately elected school boards, the so-called Ryerson tradition. By any account, it was a daring, imaginative experiment; and it has worked, in Alberta. But no other province has adopted this regional model in rural areas.

(b) *British Columbia Regional Districts*

The recently established British Columbia regional districts have received special attention in this study, in part because of demographic similarities between Newfoundland and the coastal and interior parts of that province, but also because, prior to their introduction, a large part of the population of British Columbia lived outside of organized municipalities. The main reason for creating these regions was to seek some method of apportioning the costs of certain designated area-wide local services among participating incorporated units (and the unincorporated population) without actually establishing the elaborate two-tier systems similar to those emerging in the metropolitan areas of Central Canada or in American cities like Seattle. The legislation authorizing these regions was enacted in 1965 as part of British Columbia's general municipal statute.

Outside of the British Columbia metropolitan areas, the external boundaries of regional districts were established by central government officials, mainly in terms of "trading areas", with due regard for communication patterns, adequate assessment bases, and suitable populations. Internal boundaries for the district electoral areas in which the unincorporated population lived were designed to take account of local communities of interest. In the metropolitan areas, on the other hand, regional district external boundaries were fitted to the existing boundaries of certain previously-established special-purpose utility bodies.

Legislation authorizing the establishment of these regional districts provides that upon the recommendation of the Minister, the Lieutenant-Governor in Council may, by letters patent, incorporate any area of land in the province and its residents as a regional district under the jurisdiction of a regional board. *No local initiative in this matter is prescribed.* Functions to be performed by all districts may be prescribed in the *Act;* but the specific functions assigned to each district established are either set out in the original letters patent, or are later delegated in supplementary letters patent approved by the Lieutenant-Governor in Council on the Minister's recommendation.

Before acting in this matter, however, the Minister must receive from the district board a request that it be authorized to undertake a function. This request must also indicate to the Minister the member municipalities within the district that intend to participate in the programme requested, and how the costs of operations are to be shared among them. Before the district board can make any formal request to undertake a particular function, it must first have the consent of each municipal council wishing to take part, together with the assent of three-fifths of the electors in the electoral areas (outside the incorporated units within the district) which may also wish to participate in the designated function. Municipal councils, at their discretion, are also authorized to refer such a matter to their "owner-electors" for assent or otherwise. But there is an important exception in this matter: two-thirds of the directors on any board, having among them two-thirds of the votes, may require the participation of all units in some designated service function. It is noted as well that each regional district has corporate status and is assigned the power to acquire, hold, and dispose of real and personal property. It also has authority to contract for materials and service, to incur debt, subject to ministerial approval, by issuing standard municipal debentures upon the credit of the district at large; and it may become the sole borrower for the incorporated municipal and electoral areas within its boundaries.

District boards consist of both "municipal directors" and "elected directors". The former are the appointees, in a required number, of the various municipal councils (or boards of trustees) within the districts. The latter are the board members elected by voters in the formerly unincorporated parts of the districts. The "requisite number of directors" is established with reference to a pre-determined number called a "voting unit". This "divisor" has been described as a certain fraction of the total population arrived at by negotiation, but having reference to such factors as the balance of population in all districts and the minimum population in particular districts. Using this formula, the voting strength of each district component is arrived at by division: the total unit population divided by the district's "voting unit". A recent publication of the Canadian Tax Foundation (*Provincial and Municipal Finances, 1973*) illustrates this process in simple terms:

> **"When a region is incorporated the letters patent designate the number of persons that will constitute one vote. This number is called the voting unit. For example, if 2,000 is the number designated, then a member municipality or other area with, say, 30,000 people has 15 votes. If the result is not a whole number, the num-**

> ber of voters is taken as the next highest whole number. The number of directors for each member of the region is determined by dividing the number of votes to which it is entitled by five and taking the result to the next highest whole number. Using the illustration above, the number of directors for the 30,000 population unit would be three. No director may have more than five votes and the number of votes to which a member is entitled must be distributed as evenly as possible among its directors." (p. 154)

This latter division is achieved by negotiation at the council level; no director may split his vote; when the board is dealing with a proposed new function, only those directors whose units will be participating may vote. Municipal directors of district boards are appointed annually by councils from among their members; elected directors are elected from the non-municipal areas every two years, and the cost of these elections must be assumed by the areas themselves.

Some very complex procedures have had to be introduced in order to frustrate attempts by either large municipalities or coalitions of smaller units to dominate the boards. Board meetings, for instance, are normally convened by board chairmen individually or by any two directors. Emergency meetings called on less than five days' notice require nothing less than the consent of two-thirds of the board directors having among them at least two-thirds of the votes. The board quorum is a majority of directors having a majority of the votes. Board chairmen are elected annually from among their members by the directors; but this is the sole instance where each director disposes of a *single* vote. Further technical details on the structure and operation of district boards and their executive-administrative systems can be obtained by reference to Appendix H.

Turning to the functions of regional districts, it is first apparent that they are assigned no power to levy taxes. In general, all costs associated with district activities are apportioned among municipalities and electoral areas *in proportion to unit assessment for school tax purposes.* District administration costs not clearly related to specific functional activities are similarly shared among participants generally. Wherever possible, however, the cost of administering a given function is deemed to be part of its overall cost. Very small provincial grants are provided to districts: the most recent information in this matter indicated an annual administration grant of only $6,000, combined with an annual district planning grant at the rate of $0.15 per capita. This latter grant had a minimum level of $5,000 but in some instances amounted to $25,000. The smallest districts appear to have received $6,000 per annum. British Columbia's regional districts, therefore, are for practical purposes financed almost completely by the ratepayers within their boundaries, although the cost-sharing mechanism is obviously related in a general way to local preference regarding participation in district functions. It should be noted, however, that British Columbia has one of the highest fiscal capacities among all provinces; it also supports its municipalities at very generous rates by Canadian standards. For this reason, participating municipalities within the regional districts obtain substantial resources in the first instance from the province.

By 1971 the following functions had been assigned by statute to all regional districts: regional planning, community (i.e., local) planning, building inspection, contract services, local works and services, and grants-in-aid. Districts are required by law to formulate, adopt, and revise regional plans and to supply planning services to their constituent electoral areas. Since their establishment, boards have passed zoning and building byelaws relating to large areas within their jurisdictions. Each board, moreover, must establish a technical planning committee. The chairman of this committee is the district's appointed planning director. Where no such official has been appointed, the chairman is the district's secretary-treasurer: its principal administrative officer. Other *ex-officio* committee members include the following:

(1) provincially appointed medical officer of health;
(2) one municipal officer designated by each municipality;
(3) one planning officer of the Department of Municipal Affairs;
(4) three officers each from the Departments of Lands, Forests, and Water Resources;
(5) one officer from the Department of Agriculture;
(6) one officer from the Department of Highways;
(7) one officer from the Department of Recreation and Conservation;
(8) representatives from provincial crown agencies as designated by the Minister of Municipal Affairs;
(9) one representative of each school district;
(10) representatives from federal departments and crown agencies as designated by the Minister of Municipal Affairs.

The technical planning committees advise the regional district boards on all planning matters, draw up all regional plans, undertake liaison functions, and are required to advise on all district planning legislation, which must be examined at least 30 days before formal action by the boards. There is also provision for the appointment by boards of planning advisory commissions for the electoral areas. These latter bodies consist of local residents who advise the board on planning matters. On the information and advice supplied by these latter units, boards may apply building, land use, and other development controls in the electoral areas similar to those exercised by municipalities within the region, subject to the Minister's approval. The cost of these functions, less revenues from building permits, is levied on the electoral area.

Remaining functions are those which may be exercised at the *option* of regional district boards and their constituent bodies. They are as follows: ambulance service; airport facilities; air pollution control; bus transit systems; civil defense; control of gatherings; elderly citizens' housing; firearms control; public health regulations; home nursing services; library services; nuisance control; Okanagan basin water board; pest control; public housing programmes; recreation services; refuse disposal; regional parks; sewer systems; soil removal control; water systems; and urban renewal projects.

Because of the recency of their establishment, there has been very little effective evaluation of these British Columbia districts as instruments of regional municipal government. The Commission has examined the only two available papers dealing with their establishment and operation. The first of these, "Metropolitan Government in Vancouver: The Strategy of Gentle Imposition", by P. Tennant and D. Zirnhelt, appeared in *Canadian Public Administration*, Spring, 1973 (Vol. 16, No. 1, pp. 124-138). A second, more recent and more comprehensive appraisal is found in a recent publication of the American Advisory Commission on Intergovernmental Relations entitled *A Look to the North: Canadian Regional Experience*, Washington, D.C., February, 1974. The article in question, "The System of Regional Districts in British Columbia", was written by D. W. Barnes of Ontario's Ministry of the Treasury, Economics, and Intergovernmental Affairs, with assistance provided by Professor M. Brownstone of the University of Toronto.

The Commission summarizes below the views expressed in these articles. First, through the instrument of its regional districts, British Columbia has found a method sufficiently flexible to enable it to provide a municipal decision structure for *both* its heavily concentrated metropolitan areas and its scattered, thinly populated, incorporated and unincorporated areas outside the major urban centres. The adequacy of the method adopted is still, and for some time will remain, uncertain. To some observers, it remains an open question whether superseding municipalities by regions is either desirable or necessary. Departmental officials who designed the system and who, under ministerial direction, were responsible largely for its implementation, refer to regional districts as devices for combining municipal functions, not as instruments for achieving "political amalgamation" at the regional level. Many of the district (optional) functions are undertaken as a result of local initiative. Some functions are performed by only a few districts. There are also in most regions only "partial" functions performed in respect of some constituent municipalities or electoral areas.

Staffing problems have been acute; tensions have developed between the regional boards and municipal councils when the officers of the latter have been recruited by the former. Only the larger districts have been able to finance adequate access to consultants' services. There have been technical difficulties encountered with the requirement of plebiscites and referenda. Some municipalities and electoral areas do not yet accept the idea of the regional boards. Representation on the regional boards is also uncertain. Do the municipal (appointed) directors speak for their councils, themselves, or other publics? Once a function is adopted regionally, municipalities play no direct part in its administration, except to vote the annual contribution toward the district's operating account. There are some signs of poor liaison and communication between the regional boards and the municipalities, and an "arms-length" atmosphere has tended to develop in regional-municipal relations. Municipal directors do not always inform their councils of board business and board decisions. It is feared by some observers that this last difficulty may prove to be a strategic flaw in the entire experiment. At the provincial-regional level, on the other hand, relations have been good, notwithstanding the very strong supervision and control exercised by the Minister in relation to regional district operations. There is, finally, good evidence that public acceptance of these regional municipalities has been growing strongly.

(c) *District Municipality of Muskoka (Ontario)*

This is a new region consisting of three moderately sized towns (Bracebridge, Gravenhurst and Huntsville) and the rural townships of Georgian Bay, Lake of Bays and Muskoka Lakes. The region's governing board (council) consists of 23 members, including the chairman. The first chairman was appointed by the Lieutenant-Governor in Council, in common with those of all the new regions in Ontario. Early in 1975, however, the regional council will appoint its second chairman from among its own membership. Mayors from all area municipalities are members of the regional council. Other regional councillors are chosen by area councils in accordance with a ward formula. All regional councillors serve for two years in office. Vacancies at the regional level must be filled by the area councils within 30 days. Payment of regional councillors, including the second chairman, is at the discretion of the regional council. The chairman's functions are to preside at meetings and to act as chief executive officer of the district corporation. The region *must* appoint a clerk, a treasurer, a district road engineer, a district fire-co-ordinator, and an auditor; it *may* also appoint a chief administrative officer.

Since this region has a two-tier structure, the allocation of functional responsibilities as between the district and area councils is of primary significance for purposes of this inquiry. The division of major service and regulatory activities is summarized below:

Function	**Responsibility**
1. Licencing of business	Local
2. Tax Collection	Local
3. Regional Tax Levy on Areas	Regional
4. Local Tax Levy	Local
5. Apportionment of Regional Tax Levy	Regional (a requisition on each area unit based upon its proportion of equalized assessment in the region.)
6. Borrowing for Regional and Local Purposes	Regional
7. Grants on Behalf of Work of Advantage to the Region	Regional
8. Regional Planning	Regional
9. Zoning Bye-laws	Local
10. Zoning Variances	Local
11. Lot Severances	Local
12. Promoting the Regional Area	Regional (up to $50,000 per annum)
13. Public Health Service	Regional
14. Ambulance Service	Local
15. Anatomy Act	Regional
16. Mental Hospitals Act	Regional
17. Sanitorium (T.B.)	Regional
18. Hospitalization and Burial of Indigents	Regional
19. General Welfare Assistance	Regional
20. Homes for the Aged	Regional
21. Child Welfare	Regional
22. Juvenile Delinquents	Regional

Function	Responsibility
23. Nurses Services. Day Nurseries	Regional
24. Homes for the Retarded	Regional and Local (grants)
25. Regional Parks	Local
26. Local Parks	Local
27. Police	Neither Regional nor Local but Provincial
28. Fire	Local (with regional co-ordinator)
29. Emergency Measures	Regional
30. Sewage Treatment	Regional
31. Trunk Sewers (sanitary and storm)	Regional
32. Local Sewers (sanitary and storm)	Local (Subject to regional approval)
33. Sewers: Regulations and Standards	Regional
34. Sewers: Inspection	Regional
35. Sidewalks	Local (except with regional approval needed for sidewalks on regional roads)
36. Parking: District Roads	Regional
37. Parking: Local Roads	Local
38. Public Transportation	Local
39. Water Supply and Purification	Local
40. Water: Trunk Distribution	Local
41. Water: Local Distribution	Local (subject to district approval)
42. Water Standards: Local	Regional
43. Inspection of all Watermains	Regional
44. Solid Waste Disposal	Local (but may contract with region for disposal)
45. Solid Waste Collection	Local
46. Arterial Roads	Regional
47. Local Roads	Local
48. Traffic Control (district roads)	Regional
49. Access to District Roads	Regional
50. Traffic Bye-laws (local)	Local (subject to regional veto)
51. Traffic Lights in District	Regional

The Muskoka region is dominantly rural in character; its regional government system reflects this fact. Unlike the other new regions in Ontario, most of which are heavily urban and suburban, its division of functions is not too far removed from the old township-county division found in the province's traditional regional structure. The new planning arrangements, however, deserve brief notice. The entire Muskoka district is designated as a joint planning area; local towns and townships are designated as subsidiary planning areas. The regional council acts as a planning board for the district as a whole; the local units may either perform the same function for their jurisdictions or they may appoint special planning boards. Notwithstanding the general dependence upon its component units for funds, the region has obtained an annual $50,000 grant from the province for 1971-75 to establish and maintain a planning fund. An annual grant for the same period in the amount of $100,000 has been allocated to it for a regional pollution control fund. The administrative costs associated with these latter two programmes are also assisted by provincial grants. The region, lastly, receives substantial provincial conditional grants in connection with its health, welfare and highway functions.

These four regional models described above represent fundamentally different recent institutional accommodations to social change in rural areas within four quite different provincial settings. Notwithstanding interprovincial differences, they should serve to provide a suitable background for the next phase of this inquiry relating specifically to Newfoundland's regional municipal requirements.

5. The Demographic and Economic Bases of Newfoundland's Regions

Both in tangible and intangible terms, regions exist whether regional municipal government is established or not. But the determination of regions and theory of their basic nature is anything but an exact science. Unfortunately, there tends to be a different region for almost every purpose. The Commission does not intend to review in its report the extensive and conflict-ridden theoretical literature on this subject, nor even to summarize the many case studies on Canadian regional phenomena that have emerged in recent years.

Given the clearly imperfect apprehension of their nature, why do men desire and even on occasion attempt to fit municipal governmental structures to regions? The answers to this very complex question can be reduced to two simple propositions: the *economics* of service delivery and the *politics* of service effectiveness. Reverting to the terminology used in Chapter 10, we are in reality dealing with the goal areas of service and efficiency, on the one hand, and those of representation and access on the other.

Let us first examine the economic aspect. Goods and services provided by any one municipality are consumed or enjoyed not only by its own residents but by persons living outside its boundaries. The council of that municipality generally has no means of obtaining from non-residents what it may consider to be an adequate contribution from them over and above, say, a portion of the business tax. Equally, the non-residents have no voice in matters concerning the provision of the municipality's services. In terms of the area within which the local authority exists, therefore, municipal investment in any particular good or service may be *sub-optimal*, that is to say, lower than it should be if the preferences (i.e., the willingness to pay) of all persons in the region were considered in the council's decisions. Another way of making this point is to say that, in today's mobile and increasingly technological society, both the benefits and the costs associated with services tend to "spill over" or "spill into" municipal boundaries. It is the attempt to control these "spilling effects" which from a strict economic standpoint often motivates the extension of municipal boundaries. In its brief to the Commission the Federation of Municipalities submitted the following comments on the nature of these boundary questions:

> "Municipal borders are open borders with no 'Customs policing' of movements of goods, services and people across the lines. The greater these spill-overs (or spill-ins), the greater the obstacles to the making of 'right' decisions in terms of the overall public interest concerning the level and quality of provision of public goods and services. Municipal boundaries, this argument would have it, should therefore be drawn in such a way that spill-overs of benefits

> and costs would be minimized. The higher the degree of spillovers the higher the evidence that the municipal border does not reach far out enough to encompass the true community. Consequently the decision-making process does not reflect in a comprehensive way the interests of that true community and thus the decisions arrived at are inefficient, uneconomic, and wrong. This, then, provides a rough rule-of-thumb guideline as to what the minimum size of a municipal unit should be. Although there is no corresponding rough rule-of-thumb to guide thinking of maximum limits to size, this should not rank important in Newfoundland given its level of population and social-cultural homogeneity. But the central question is — 'too small' and 'too big' for what purpose? The right size for a municipal unit is not something that is determinable on a priority basis. First it must be determined what that local government's purpose is and how it is to function. Then the implications of size can be more readily perceived and objectively resolved." *(Federation brief,* pp. 16-17)

Later in the same submission, there is additional reference to these matters and an attempt made to outline the principal considerations affecting the size of municipal governments:

> "How large *should* units of government be? Is there a minimum size in terms of area and population? Is there a maximum or optimum size? These questions can not be answered in an absolute context for the question of size is a relative one and will vary with respect to time, place and purpose of organization. In respect of the last question, the quest to discover the threshold of optimality is gradually waning, as the relevancy of the question itself is being questioned. But on the questions of maximum size and minimum size there are some definite objective limitations that cannot be ignored. By and large they are determined by local circumstances of geography and terrain, economic interdependency among adjoining community groupings and the patterns of settlement, costs, and needs. In combination with considerations of the functional responsibilities that local governments are to be charged with and in consideration of local attitudes and wealth these factors provide a reasonably sound basis for deciding the question of boundaries. *Different services require different service areas for efficient and economic performance.* A scattered, polynucleated pattern of settlements can be efficiently served by a single regional hospital or school board, but sewerage and water systems could not be economically and efficiently administered within the same region on an integrated systems basis. On the other hand, the authority responsible for water and sewerage could be set up on a regional basis but finance its undertakings strictly on a user charge basis. This would be warranted if there were economies to be achieved, for instance in terms of purchasing power and availability of expertise. But then the question arises as to how the authority should be constituted in terms of representation. If it is to be the responsibility of an elected regional council, should representatives of the communities not served by the authority have a say in its functioning? Or should the authority be constituted as a special purpose body independent of council and run by an appointed or elected board?

> These questions are of vital importance but they can not be resolved on a priority basis. They can only be resolved through an examination of the general and particular circumstances in each region.
>
> Since the scope of functional responsibilities that can be vested in a unit of local government decreases with the size of the unit, one approach to the problem would be to commence with an approximate system of 'regions' and work downwards.
>
> On the question of minimum size it is possible to become more specific yet. The central issue is minimum size for what? A rough rule-of-thumb is that the size of a municipality should be no larger than necessary for the efficient and effective performance of the responsibilities vested in it. Thus if the matter of the extent of responsibilities to be delegated has been more or less reached, the delineation of an appropriate minimum area should pose no problem." *(Federation Brief*, pp. 53-54)

A primary consideration to be kept in mind when examining the prospects for a system of municipal regions in Newfoundland must be the Province's demographic and general economic environment. The essential characteristics of these determinants were examined in earlier chapters. The Commission believes that despite an observed trend toward heavier population concentrations in the larger urban centres and their hinterlands, the proportion of smaller communities experiencing population growth generally is also quite large. It is apparent, for instance, that between 1966 and 1971 among all the towns below 1,000 in size, 53 per cent experienced some growth. During the same period almost all of the towns between 1,000 and 7,000 actually gained in population (Table 2-3 above). Among the smaller municipal categories, growth rates remain at substantial levels: 70 per cent overall in the case of local improvement districts, and a surprising 65 per cent in the case of the smaller and more numerous local government communities (Tables 2-4 and 2-5, above). Generally speaking, the incidence of population decline is highest among smaller municipalities in the different categories; and it achieves its highest rate in the more than 500 unincorporated communities. Even in these communities, however, more than half (52%) experienced some growth during the most recent intercensal period (Table 2-8 above), while the growth record among the larger unincorporated units is very pronounced. But it is emphasized that notwithstanding this growth record, the *general* distribution pattern is heavily weighted by very small communities.

There is also the contrasting locational phenomenon noted earlier. In some areas a large number of small communities are found in close proximity to one another, but there are significant variations in the areal characteristics of these "cluster" groups. Contrast, for example, the varying concentration structures in the Placentia-Argentia area, the Eastport Peninsula, Port-au-Port Peninsula, the north side of Conception Bay, the Burin Peninsula and the New World Island-Twillingate areas. Where community concentration is not the dominant characteristic, such as in the South Coast, Northern Peninsula and Labrador regions, other areal structures are apparent. The major urban-centred clusters in the Avalon Peninsula, Central Newfoundland and the Humber Valley display, at the other extreme, still a different areal pattern. Within these three contrasting distributional categories there are found different dynamic interaction systems involving mobility, trading, service, communication and economic sub-systems. The entire demographic and economic environment, moreover, has been in process of very rapid change due to highway improvement, increasing use of the automobile, and shifts in the pattern of employment. Yet, as indicated in Chapter 2 (Table 2-10), isolation and distance remain a central feature of the Province's general demography. Between 35-40 per cent of Newfoundland's communities, for instance, are located more than 25 miles from the nearest hospital.

Officials of the Province have in recent years done much technical work in relation to different aspects of this distinctive demographic and economic base structure. Some of their activity, particularly in conjunction with federal DREE programmes, has been devoted to the identification of regions for planning and other uses. The Province already has in its possession, therefore, a blueprint for regions which may or may not be suitable for the purposes of municipal government in the future. The various criteria that have been used by the Province in designing Newfoundland's regional system are as follows:

(1) regional population sizes sufficient to support service delivery at reasonable levels of efficiency;

(2) regional concentrations small enough to facilitate reasonable access and communication with the general public, and to permit effective maintenance and repair operations;

(3) regional groupings that manifest some degree of local identification based upon a general awareness of common economic or cultural interests and, in some instances, upon geographic cohesiveness;

(4) the existence of regional centres accessible to and accepted by the regional populations;

(5) adequate land communication links between the regional centres, sub-centres and their respective communities;

(6) adequate land communication links between regional centres.

In consequence of applying the above criteria and using the Rossiter "isolation index", the Province is first divided into seven major regions. Exclusive of Labrador, these large units are centred in the principal urban trading, employment and service units of St. John's, Corner Brook, Grand Falls, Stephenville, Gander and Marystown. Obviously, there is no equivalent dominant centre in Labrador, although it is recognized clearly as a major region. Using various techniques, and keeping in mind the criteria listed above, the following sub-regions with their centres are delineated: Eastern Region (*St. John's*, Bay Roberts, Carbonear, Placentia, Clarenville, Bonavista and Ferryland); Burin Region (*Marystown*); Northeast Region (*Gander*, Fogo and Lewisporte); Central-South Region (*Grand Falls*, Springdale and Harbour Breton); West-South Region (*Stephenville*, Port aux Basques and Burgeo); Humber-North Region (*Corner Brook*, Deer Lake, Baie Verte, Port-aux-Choix, Roddickton and St. Anthony); Labrador Region

(*Happy Valley-Goose Bay*, Labrador City-Wabush, Cartwright and Nain). Excluding the unincorporated population in the very small settlements, the numbers of communities and populations reported in this regional and sub-regional system are shown in Table 13-1:

Table 13-1: Newfoundland Regions and Sub-Regions: Population, Number of Major Communities and Average Community Size, 1971

	Population (thousand)	No. Communities	Average Community Size
A. Eastern Region	**219**	**265**	**826**
1. St. John's	135	63	2,143
2. Ferryland	6	21	286
3. Bay Roberts	17	31	548
4. Carbonear	22	45	489
5. Placentia	16	35	457
6. Clarenville	14	51	275
7. Bonavista	9	19	474
B. Burin Region	**23**	**36**	**639**
C. North-East Region	**45**	**92**	**489**
1. Gander	28	46	609
2. Lewisporte	13	36	361
3. Fogo	4	10	400
D. Central-South Region	**49**	**57**	**860**
1. Grand Falls	31	24	1,292
2. Springdale	9	17	529
3. Harbour Breton	9	16	563
E. West-South Region	**37**	**56**	**661**
1. Stephenville	23	36	639
2. Port-aux-Basques	10	15	666
3. Burgeo	4	5	800
F. Humber-North Region	**68**	**108**	**630**
1. Corner Brook	35	19	1,842
2. Deer Lake	11	22	500
3. Baie Verte	7	20	350
4. Roddickton	4	8	500
5. Port aux Choix	6	28	214
6. St. Anthony	5	11	455
G. Labrador Region	**25**	**34**	**735**
1. Happy Valley-Goose Bay	8	6	1,333
2. Labrador City-Wabush	13	8	1,625
3. Cartwright	3	15	200
4. Nain	1	5	200
All Regions	**466**	**648**	**719**

Source: Adapted from data supplied by the Department of Municipal Affairs and Housing.

The regional framework detailed above includes nearly 90 per cent of Newfoundland's population. In fact, it excludes only 56,000 people living (in 1971) in very small unincorporated units. Had these been included, the average reported in the right hand column of the table would have been substantially reduced. The table does, however, indicate some features of the demographic structure of a possible regional municipal system. Clearly, the Eastern Region centred in St. John's would have the largest population (47%). Indeed, the St. John's sub-region would alone include nearly

29 per cent of the total provincial population. Within this Eastern Region the Ferryland and Bonavista sub-regions would have the smallest populations. The remaining major regions would contain the following population proportions: Humber-North (15%); Central-South (11%); Northeast (10%); West-South (8%); Labrador (5%); and the Burin Region (5%). Sub-regions with populations below 5,000 would be Fogo, Burgeo, Roddickton, Cartwright and Nain, although the inclusion of the entire population would increase these numbers to some extent. Among all 27 sub-regions, 14 would have populations in excess of 10,000. (Burin, with the smallest regional population, would rank fourth if counted as a sub-region). Eight sub-regions would have populations between 10,000 and 15,000, while five would be below the 5,000 level. (It is noted, by way of comparison, that the Muskoka region described earlier in this chapter has a population of approximately 28,000. Only two of our major regions (Labrador and Burin) would fall below that level, while four of our sub-regions (St. John's, Corner Brook, Grand Falls and Gander) would be larger than the Ontario region).

Any hierarchy of regions involves a complex pattern of internal and external boundaries. Once they are established, regional municipalities invariably develop a political pattern which often tends to centre on boundary issues and disputes. It is well established that this process always involves the following questions. What communities or municipalities are to be placed inside or outside particular boundary lines? Should communities be permitted a choice in this matter? When and by what procedures should boundary adjustments be undertaken? When boundaries are altered, what procedures should govern the disposition of assets and liabilities? The approach to an adoption of any regional municipal system must foresee these questions and provide suitable ground rules for their answers in practice. And it must be accepted that for political and administrative purposes, boundaries will have to be very *precisely* defined. The Commission has been informed by officials that the regional framework described above contains boundary configurations that are not "hard" lines from either an economic or cultural standpoint. Boundaries, in a word, define sub-regions which tend to be "vague zones of competing influence". It has been found, for example, that it is quite common for minor service centres to emerge near the boundaries between major regions, since it is precisely in those locations that people are farthest removed from the major service centres. The Province's physical and demographic patterns, however, tend to facilitate the boundary delineation of regions. In England, the Local Boundary Commissions have been appointed to deal with issues arising in connection with boundary disputes. The Commission does not propose such an arrangement for Newfoundland.

6. Representations Received by the Commission

First, we present in their entirety the comments, proposals, or submissions on regional government supplied by five organizations: The Great Humber Joint Council; The Newfoundland and Labrador Federation of Municipalities; The Newfoundland Association of Professional Engineers; The Newfoundland Federation of Labour; and The Green Bay Economic Development Association:

(a)

"Great Humber Joint Council
Report on Great Humber Rural Area Board

The Joint Council is greatly concerned over the uncontrolled development of the unorganized area in the Great Humber area. If allowed to continue as it presently is developing, it can do nothing but prove detrimental to the area as a whole, and to many communities in particular. An excellent example of uncontrolled development is the Conception Bay Area — allowed to develop without control over the years — and now presenting tremendous problems of engineering and financing to correct and service properly. While controls are repulsive to many people who wish to do only as they wish, where and when they wish — it will be a blessing for the whole area if enforced firmly and fairly in the interest of the area as quickly as possible. Every week sees more building and development going ahead — with far reaching effects apparent perhaps only in years to come. No control should be — or needs to be — exercised on or in incorporated areas — they will be able to look after themselves. The Joint Council is unanimous in its desire to see the area develop in the best possible way — and is anxious that the planning and control be implemented now, for only in this way will it be responsible for the beneficial results which will be visible over the future years.

Great Humber Joint Council
Resolutions Re Great Humber Rural Area Board

1) Presently organized and incorporated communities are capable of controlling and governing themselves within the *Act*.
2) It is recognized by all members of the Joint Council that the majority of problems outside their boundaries are common problems.
3) No council presently (except the City of Corner Brook) has any authority outside its own boundaries.
4) Control of unorganized areas (unincorporated areas) is presently in the hands of the Provincial Government — but exercise of this control is largely lacking — and leading to development of situations and conditions which will be very difficult if not impossible to correct later.
5) It is obvious that situations must not be allowed to develop — which will cause later difficulties — or set precedents not in the public interest.
6) Reference is made to illegal building, pollution, garbage disposal, sanitation, etc.
7) Ribbon development is to be deplored — but has been allowed to occur throughout the province. The feasibility of servicing such development is too costly to be practical — and should be stopped without delay.
8) Development of existing communities is impaired if no controls are instituted which is detrimental to the province as a whole.
9) The tendency to build summer cabins and cottages should be controlled — so that there is protection of the wilderness and provision of adequate control regarding pollution, sewerage disposal, building codes, etc.

A good example of uncontrolled development is the Howley Road area — which should never have been allowed — and must never be repeated.

Recommendation of Great Humber Joint Council

It is recommended that the Minister of Municipal Affairs take immediate steps without delay to set up and bring into being a Board for the control of the Great Humber Rural Area along the lines now presented for consideration.

It is suggested as follows:

1. **Name:** Great Humber Rural Area Board
2. **Area:** The area be bounded as follows; from a starting point on the West Coast from Chimney Cove South to Bottle Cove thence by a line inland to Gallants — thence to the Southern Tip of Grand Lake — thence along the Western Shore of Grand Lake to Howley — thence to Squires Provincial Park — thence to Wiltondale (or the Southern boundary of the Northern Peninsula road at its junction with the Gros Morn National Park) — thence to Big Bonne Bay Pond (or Lomond) — and thence to Chimney Cove (the starting point)
3. **Excluded:** Shall be all those organized and incorporated communities within the area described — according to their boundaries.
4. **Governing Board:** Three persons — appointed by order of council as follows:
    1. Chairman
    2. Two Members
5. **Corporation:** The Board shall be a Corporation.
6. **Regulations:** The Board shall have regulations which will include such items as a building code, fire regulations, sewerage disposal and garbage disposal regulations, and anti-pollution regulations. Such other regulations as may be necessary should be added.
7. **Agreements:** The Board should have power to negotiate and enter into agreement.
8. **Advisory Board:** The Joint Council — made up of two members appointed by each member council in the Great Humber Area — should be used by the Governing Board as an Advisory Board
9. The Governing Board shall always be the final authority."

(b)

**"Newfoundland and Labrador
Federation of Municipalities**

1. (a) Municipal government, whether regional or local, should continue to be structured in such a way as to retain the ability to adapt to *regional* or local circumstances as they occur.

(i) Particularly with regard to instituting regional government. This should be proposed with the minimum of guidelines so that specific structures and areas of jurisdiction may be achieved by negotiation among those locally and regionally concerned, with the Provincial Government.

(ii) It is further recommended in this regard that while the initiative may come from either local or provincial sources, responsibilities for commencing negotiations for regional government and intermunicipal co-operation must rest with the province to specify a general area where it may appear that such an initiative is warranted and could be beneficial. Such an investigation would require regional consideration of the matter with recommendations as to areas of jurisdiction, together with any other matters considered advisable to be submitted to the Minister of Municipal Affairs and Housing within one year of agreement.

(iii) At the initial public meeting a committee of not more than twenty persons should be appointed to study implications in depth and to meet as a committee at least five times during the year with a view to preparing specific recommendations in the matter.

(iv) The Provincial Government accept the cost of hiring a permanent staff, not exceeding three people, to facilitate the operation of the Committee, and to gather and disseminate information, as to the committee's activities and intentions.

(v) As many or as much of the committee meetings as possible shall be open to the public and be held in such places as may accommodate a reasonable number of public observers.

(b) With regard to Provincial Government structure affecting municipalities it is recommended that the Commission consider for inclusion in its report to the Provincial Government a means whereby the Department of Municipal Affairs and Housing together with other Departments of Government and agencies which bear on matters directly affecting municipal activity (eg. Department of Health, Rural Development, Newfoundland and Labrador Housing Corporation) may be *decentralized* to be more readily accessible to local and regional inquiry and that these various departments be more closely associated with local and regional problems.

The Federation notes that this process of decentralizing 'line' department operations has been proceeding for some time past. However, it is felt that more decisional powers, in terms of financial commitments may be realistically delegated to regional offices. This may be expected to have at least three beneficial effects.

(i) That the need for municipal delegations to the Confederation Building seeking ministerial or deputy ministerial audience, may be substantially reduced, thus permitting a greater opportunity for this highest level of municipal administration to concern itself with over-all policy development, rather than with the specific items with which a large proportion of their time is presently engaged.

(ii) That regional provincial administrators may be more directly knowledgeable of relative regional conditions and more readily accessible to on-site discussions, thus allowing for more practical negotiations.

(iii) That physical extension of governments, in logical regional centres, would assist in the natural development of municipal cooperation and regional government. This provincial governmental regionalization may also be expected to evolve over time in harmony with the municipal regionalization process."

(c)

"Association of Professional Engineers

The present system of local elected representatives, responsible to the electorate of the community and under the general surveillance of the Department of Municipal Affairs, is satisfactory to a point. It puts local government in the hands of local people. But it does not necessarily ensure good government, nor good control of funds, both current and capital. The Department of Municipal Affairs is too remote to be able to effectively control the many municipalities and local improvement districts at the mushroomed scale of today's needs and expectations. An intermediate level of government would appear to be desirable and necessary. This could be accomplished by splitting the province into regions, with *regional councils* or boards. Each region could have several local councils or districts working under its general direction, and the regional government would co-ordinate with the Department of Municipal Affairs. The Department would provide 1) legislation to authorize the collection and dispersal of funds, 2) leadership to provide manuals on local government organization and operation with all necessary procedures and policies detailed in print, and 3) training programs, through the vocational schools and the university extension department, to give elected representatives and hired staff sufficient expertise to function efficiently. Thus local governments, supported and under the leadership of regional boards of government, would function more efficiently. They would operate within an orderly program of control . . . to ensure a uniform interpretation of provincial government policy, and more beneficial use of public funds."

(d)

"Newfoundland and Labrador Federation of Labour

Would Some Form of Regional Government be Appropriate to Newfoundland and Labrador? What form(s) should it take?

We found this to be a difficult question. There are some imputed advantages to regional government, but we are aware that it involves many difficulties.

The institution of regional government recognizes two needs: one, the need to introduce a measure of efficiency and cost-saving into the administration of a number of communities which constitute a natural economic unit; two, the need to allow for, even encourage, decentralization in the provincial administration of municipal affairs.

A major source of local government problems in the larger centres of Newfoundland is related to an outdated tax structure based on private property. High taxes, and a threat of still higher taxes, have caused many residents to sell their homes in the core city and move to undeveloped areas outside. They are prepared to put up with a lack of services, or a lower quality of services, in order to save on their tax bill. In some cases the desire or the need to avoid taxes was combined with the conviction that living outside the main city would enable them to escape the restrictions of city building codes.

It would be easy to reach the conclusion that the disparities in municipal services between say, St. John's and satellite communities such as Mount Pearl, Flatrock and Pouch Cove, are a matter of simple justice. Those who pay higher taxes should get superior services. But it isn't as simple as that. Many of those who moved out of town to the coves and those who never moved into town could not afford city taxes, city building lots and city houses. Those who stayed benefitted by services subsidized by the provincial government in one way or the other. If the introduction of regional government would help eliminate the disparities in a particular economic and social community, we would be in favour of it.

The idea of regional government appealed to our affiliates in Grand Falls on grounds that a single government over Grand Falls and Windsor would establish the basis of a growth centre. They suggested that urban areas other than St. John's have suffered from an inferiority complex stemming from the notion that 'St. John's gets everything'. By taking a positive view of their future and working to attract new industry, they felt that some of the other urban centres could look forward to a period of expansion and prosperity.

But any proposal for amalgamation of Grand Falls and Windsor is complicated in the minds of our members who live there by the existence of tax arrears in Windsor amounting to more than $300,000, and by the disparity in taxes and services between the two cities. Those who live in Grand Falls would like to know who would make up the back taxes in Windsor in the event of amalgamation. (Some who live in Windsor claim to have been taken by surprise when they received notices of tax arrears in recent days.) Grand Falls residents also look askance at the fuel tax on the other side of the town line, where it is two cents a gallon compared to one cent in Grand Falls, and at the $5 special tax on vehicles in Windsor. If Windsor is charging higher taxes, Grand Falls residents want to know, why don't Windsor people have better streets, better street lighting and better sewerage disposal? Despite some obvious advantages that could be gained by amalgamation, nobody in a position of authority has drawn up a balance sheet of the positive and negative aspects of such a move which would help the local people make up their minds.

The question of regional government has been discussed in Corner Brook and district for the past two years. We estimate that most people in Corner Brook itself would support the institution of regional government which would replace the several governmental structures of Corner Brook and neighboring municipalities, but that those who live in the neighboring municipalities are generally opposed. Those in favour of regional government point to the quality of services performed by the provincial government compared to those provided by the local communities and suggest that regional government would command the financial resources and manpower to approximate the provincial quality of services. For example, the provincial department of highways consistently does a good job in keeping the main roads open all winter, whereas the various local authorities are literally snowed under for days on end.

While the smaller communities along the Trans-Canada Highway enjoy the advantage of provincial road maintenance and snow removal, they lack some other services such as garbage pick up and adequate sewage disposal. As long as the fish swim and the tides flow, communities along the coast will be provided for in these essential services, but the Federation believes this is a slovenly way to run a civilized community. The Federation, therefore, supports regional government to the extent that it would assist a number of communities which have grown like Topsy side by side, but each going its own way without concern for its neighbors, to achieve some economies in administration and some badly needed up-grading in local services. For regional government to be successful, however, we believe that there would have to be a more generous sharing of federal and provincial tax revenue. The mere institution of regional government, without providing the financial resources, would not solve the many problems facing us at the local level. On the other hand, we would be strongly opposed to the introduction of an additional level of government which would merely increase the tax burden of the people, transfer responsibility for local government from the people to so-called experts and add to the complexity and confusion of the whole governmental process."

(e)

"Green Bay
Economic Development Association

We believe the day is gone for municipal planning in one community in complete isolation from adjacent communities. In many parts of the Province, towns are located relatively close to one another and there is a free exchange of facilities and an increasing tendency for workers to live in one town and commute to work in another. If we want proper development with a desire to eliminate much waste, we have to plan for future development of our towns on a *regional* rather than a single municipality basis. For example, all too often we find two or three adjacent towns, each with paid town clerks but with only enough work for one person. We can see the same thing happening in the purchasing of machinery. Each town has its own payloader, costing $50,000.00 and 70% of the time it is parked in the garage. It is possible to hire a full-time engineer to design a water system for the various municipalities in a region for much less than the cost of hiring a Consulting Engineering Co. for the design of one water system in a town; one could continue with similar incidents of mismanagement.

With regional planning being done in such areas as education, health, and rural development, we believe it is only a natural step for us to do regional planning in municipal matters. It was only a few short years ago a person could be run out of town for advocating municipal government, but today we get almost every community demanding that they be incorporated. People are beginning to realize the advantages of municipal government, and are willing to go the extra step if it meant a more efficient means of management.

The Association, therefore, proposes that the Province be divided into a number of geographic units for the purpose of facilitating the provision of a coordinated planning function. The optimal size of such units, what factors should determine the community composition of the units, the administrative structure required to ensure the successful functioning of these units, and a host of other related matters are all issues that would have to be resolved before any final decision on the feasibility of our proposal could be reached. We feel, however, that these questions are best answered by people and organizations more expert in these matters.

Nevertheless, we are of the strong opinion that our proposal warrants the most thorough investigation in the interests of ensuring the best possible form of government for the people of this Province.

We believe that some adaptation of the county system is an obvious extension of the proposal we have outlined above. Apart from meeting the intent of our proposal, the county system would also serve to introduce some rationale into the present haphazard situation whereby the several functions of government, for example, education, health services, the administration of justice, etc., each relate to geographic areas of jurisdiction which are usually not coterminous."

(f) Municipal Leaders and Officials

Next, we present a series of shorter extracts from briefs which were submitted on behalf of councils by mayors, town managers, chairmen of councils or boards. Included at the end of this section is a summary prepared by the Commission's Executive Secretary (from its official proceedings) of an important discussion held with representatives from the municipalities on the Burin Peninsula; this summary sets out certain critical points not formally presented in their written submissions.

(1)

"Our concept of Regional Government would have the entire Province divided into regions and include incorporated as well as unincorporated areas.

The Regional Government would be responsible for control of all unincorporated areas. Regional planning would decide the best and most economical areas for growth.

If the Regional Government felt an unincorporated area should receive municipal status, then the residents of the area would vote on acceptance or otherwise. The present method whereby communities are required to have a majority vote before application for incorporation can be made to Provincial Government cannot be seriously disagreed with — it is the essence of democracy. Should a favourable vote be received, then the new municipality would be incorporated and assume certain defined responsibilities.

Regardless of whether people live in an unincorporated area, they should be subject to some control. This would be the responsibility of the Region. Regional Government should permit the growth of new incorporated areas on a planned basis. We feel this would be an improvement over the present system.

The setting up of Regional Government would require review of the types of services provided directly by the municipality. We would suggest the following as being provided by the Region:

(a) Fire and Police Protection
(b) Education
(c) Health and Hospitals
(d) Environment Protection
(e) Major Recreation Facilities
(f) Regional Planning
(g) Building Standards

(h) Engineering Assistance
(i) Control of Unincorporated areas of Region
(j) Maintenance and Operation of regional water systems

The region would receive major financial support from Government with some contribution by Municipalities.

The following services would be provided by the municipality.

(a) The everyday running of the incorporated area
(b) Garbage collection
(c) Street lighting
(d) Maintenance of roads
(e) Snow clearing
(f) Maintenance and operation of water and sewer systems, where they are specifically for one community
(g) Minor recreation facilities
(h) Maintenance of good communications with the citizens of the municipality
(i) Collection of taxes for its services

The Department of Municipal Affairs, in consultation with other Departments of Government, should establish minimum standards for the Region. These would apply to the total area of the Region, whether incorporated or not. Further sets of minimum standards for various sized communities should be established on the basis of the financial resources available, locations, and other geographical factors. A review should be made of the tax base of each form of Local Government within the Region and Government support should be available to meet the minimum standards.

If Regional Government is not set up, the present system of operation can only grow more complex and will not serve the needs of the citizens."

(2)

"There is a definite need for Municipal Government in Newfoundland. Nearly 300 communities are incorporated and receive municipal services. The remainder, with no services, planning or controls, and with an increasing population, create problems that will be most difficult to overcome.

The need for controls in unincorporated communities is such that consideration should be given to the blanket incorporation of the whole Province. This could be by Region, District, Township or County. A committee or board should be set up for each Region or District, and given sufficient powers to exercise the controls necessary for that Region. Whenever a community or communities within a Region requested incorporation, and this should be encouraged, its boundaries could then be defined, and the committee or board relieved of its jurisdiction over that particular area.

There are too many small communities with little or no resources being incorporated. They shortly find themselves unable to provide the services expected, and become disillusioned. The amalgamation of several adjacent communities with a pooling of resources, staff, equipment and services would provide more efficient and less costly municipal government.

There are so many incorporated communities in the Province and their problems and programmes so varied and diverse, that adequate administration and supervision cannot be given by the Dept. of Municipal Affairs. Some form of Regional Government could provide an alternative. The pooling of resources, the elimination of duplication of services, the forum for the exchange of views, the coordination of effort and the regional responsibility for many services now inadequately provided by individual municipalities, could result in more efficient administration, improved services and lower costs.

The form of regional government could be either the County System as outlined in scheme A of the Proctor and Redfern St. John's Urban Region Study, or the Regional Government as outlined in scheme B. Both have much in their favour. Individual communities will likely wish to retain their identity, and for this reason would probably choose the County System. Scheme B, in which the region is combined with six large municipalities, with representatives of each on a Regional Council, would be city dominated, but would be efficient and might be the best in the long run."

(3)

"Regional Government, amalgamation of communities, county government under one governing roof call it what you may is a much talked about subject, many pros and cons are expressed about the subject, many people want it and it would appear many more are against it. The Town Council of ... questions the competence of those opinions one way or another; in fact, we question our own competence in making such an opinion. I personally since my arrival in the area have professed a form of Regional Government or Amalgamation of Communities based on the fact that it must be more economical to operate and govern but is it really, we do not know and we hope such a commission could resolve it.

The Department of Municipal Affairs should have resolved it a long time ago. Although it may be more economical and then again it may not but the question arises can the personalized service that can now be provided in small, well-managed and competently administered community. Do the people deserve to lose such service or would they in fact lose it. We don't know and having the reaction, the human reaction, to the unknown, are against it, being satisfied with what we have. Can we improve, we hope that you can tell us and if it is an improvement over what we have and can help us improve our lot in life, we will support it."

(4)

"In our opinion, the time has come when *regional offices* and officials, strategically located in the Province, are a must if local government is to function efficiently and progressively. The need for on-the-spot help and counselling is urgent, particularly to the small and more isolated communities, as is the offering of encouragement and direction when the going is rough for inexperienced councillors and officials. Recent happenings in certain incorporated areas of the Province should justify this.

We believe that the time has now come for the implementation of a form of regional municipal government based on what is known as the county council system. The Joint Town and Community Councils of the Burin Peninsula, of which we are a member, should demonstrate beyond any shadow of doubt the value of such an organization. Although referred to often as a pressure group, this organization has performed and is still performing very tangible and worthwhile services to the area it serves, where common interests and problems exist, as well as promoting or fostering the social, economic, and cultural life of the region. Other areas are emulating the Joint Council; and we believe some sort of legislative strength and authority should be delegated to such bodies."

(5)

"Two Forms of Regional Government

(1) Some forms of regional government are necessary to enhance proper development. Areas comprising either of the following or a combination of such should form the regional unit; a distinct geographical area; an identifiable economic unit; interdependent facilities such as waterways; and government offices, etc. While each municipality would form its own structures as it does now, the regional unit would in one way or another be cognizant of and control such things as (1) the growth of industry, (2) the conservation of natural resources, (3) environmental problems, (4) regional development associations, (5) and government services such as colleges, schools and other services that may be in one community but not the property of it. (No one should be able to inhibit those who work there by a taxation measure.) (7) Sharing of certain services — dogcatching, etc.

In addition to this regional aspect, we recommend that (2) smaller councils whose individual population does not permit staff and recreational directors be jointly united for administrative purposes and that each group be permitted to obtain staff that would provide expertise in these communities. We seriously feel that a multiplicity of small community councils operating independently are inefficient, wasteful, and operate with a lot of friction and mistrust. A sensible approach would be regional administrative government for these."

(6)

"Due to Provincial Government administering Education, Health and Welfare, and the disparity and distance between communities, it is unlikely that there is sufficient reason for regional governments to function in the accepted form.

There is a need whereby councils may combine to provide themselves with trained personnel on a cost sharing basis. It could be controlled by a Board of Management appointed by the councils involved. This would be especially useful for towns with populations under 7,500. Staff units could train and specialize in a particular field and be properly classified, supervised and given opportunity for promotion. It is definite that police and dog control officers, building and electrical inspectors should be as large as a group as possible, consistent with work load and organized regionally either by the Department of Municipal Affairs or by a joint council board. There is no future being a lone municipal policeman or dogcatcher."

(7)

"The need for some form of Regional Government is becoming more and more evident particularly with the rapid growth of Municipal Government in Newfoundland and the obvious problems being faced by the Department of Municipal Affairs to administer and competently supervise each individual incorporated area.

It is equally obvious that the growth of Local Government within a specific region emphasizes the need for orderly and controlled development of each Municipality within that area on a regional basis, avoiding such pitfalls as costly duplication of services and conflict of planned development and expansion.

Regional Government in Newfoundland could not be considered on a total provincial basis since it is apparent that for geographical reasons certain areas in Newfoundland and Labrador could not function efficiently under such an arrangement.

Neither should it be contemplated that a Regional form of Government constitutes a further governmental body to impose additional tax levies on our people.

It is envisaged that Regional Forms of Government should be conceived to co-ordinate basic services common to various Municipalities within their region, to ensure orderly planning and development of each municipality within a regional concept, and to serve as direct liason and advisor with the Department of Municipal Affairs to acquaint that Department with the basic needs of the region rather than the often unreasonable and unrealistic demands of two-three hundred individual communities."

(8)

Summary From Proceedings of the Commission (Burin Peninsula)

"Mr. . . . made a verbal presentation on *regional government*. He stressed that he thought the 'utmost consideration' should be given to the Burin Peninsula in the establishment of regional government. The general features of such a government would be:

- the regional council would be elected by the general public on a 'rep by pop' basis;
- it would not take away any powers from existing municipalities;
- it would be responsible for the establishment and operation of:
  - a regional police force, i.e., an expanded Constabulary;
  - fire and ambulance services, which are presently voluntary and have no multiple alarm provisions;
  - recreation facilities, especially a regional stadium and indoor pool;
  - road maintenance and construction;
  - development of certain industries, especially tourism;
  - major health and education facilities, in an advisory role.
- it would be financed from government grants and a per capita levy on residents (using a uniform rate), on a 50-50 basis.

There was then a general discussion of *regional government*, and the following points were made:

- there should be regional planning;
- the regional council would have a centrally located administrative office, which would also be the location for decentralized provincial and federal offices;

- community councils are afraid of, not really opposed to, regional government, as they do not want to lose their autonomy or identity nor do they want extra taxes; there needs to be a lot of public education about regional government;
- the regional system should be tried on a trial basis, and discarded or modified if it proves unfeasible;
- there is no need to rush into it: there should probably be a major study done, but with a lot of local input;
- the government might include for regional purposes an area as far north as Parker's Cove;
- there are very few unincorporated places on the Burin Peninsula, so they present no problem in connection with the organization of regional government."

(g) **Non-official, Individual Presentations**

Several individuals appeared before us or wrote letters on this subject that are of interest but that did not form any part of an official local presentation. All three of the following proposals are from men who have had extensive, personal and lengthy experience with local government in Newfoundland:

(1)

"The Region, its Problems and Recommended Structure

Whether or not it is considered desirable to make some changes in the political district, i.e., deleting Botwood and Bishop's Falls from the Gander-Twillingate District and including them, together with other related communities such as Northern Arm, Point Leamington and Point au Bay in the Grand Falls-White Bay District, it is considered of utmost importance that a Region of inter-dependent Communities be recognized and defined, both for future planning and for industrial development.

Regional Control throughout all Newfoundland may not be considered practical, and it may not take quite the same form in all Regions, even if the concept is accepted.

Excessive concentration of power, and to a lesser degree, population, in Newfoundland has similarities in Belgium, Norway, Sweden and Finland, where Regional Control has functioned for some time.

Some areas tend to stand still while industry gravitates to either the east or west of the Province. Some sections of the country are dominated by primary products, such as Forestry or Fishing, while others are dominated by old or declining industries (Buchans).

It is therefore suggested that the same approach should not be taken for the fishing areas say, of the South Coast, as for the forestry, inland fishing and hunting areas of Central Newfoundland, which also have some agricultural potential.

Within the region we propose to discuss, one community is considered to be organized to acceptable standards, Grand Falls, and it is from this base that a region could be developed. Other than in Grand Falls, communities of the proposed region have no qualified engineering staff, and with a few exceptions, poorly trained administrative staff.

The region, as envisaged, would include Buchans, Millertown, Badger, Grand Falls, and Windsor, Bishop's Falls, Botwood, Northern Arm, Point Leamington and Point au Bay, and recognized planning areas along the axis Buchans-Point au Bay.

This Area would have an Advisory Regional Group with three functions, two immediate and the third longer term. The Group would be responsible to the Deputy Minister of Municipal Affairs directly, and of course the Minister. Since the Provincial Government cannot in fact, although they do so in theory, provide detailed supervision or advice to the smaller communities, local decisions are frequently made with little thought to the future. Roads are constructed too narrow, no thought to drainage, location of buildings and so on. Eventually major and costly problems require considerable expenditures undoing what never should have been done in the first place. (Note the beach at Point au Bay).

It is expected, and happens, that the services of planners and engineering staffs of the Provincial Government will go to those larger centers of population with the most strident voices and the number of voters to support the voices.

Immediate Role of the Advisory Group

1. To assist and advise on all community projects other than routine operation of services.

   To ensure that National and Provincial Standards are met in road construction, that the planning conforms to Regional standards and requirements, that new building is properly located so as not to create future problems.

   To advise and assist on water and sewerage problems, and to keep the Dept. of Municipal Affairs informed when errors are likely to be made creating future problems.
2. To assist and advise on administration.

Longer Term Role of the Advisory Group

Before this Brief is presented, it may well be that the decision will be made as to the source of water for the Grand Falls-Windsor system under construction, and it is possible that Bishop's Falls, Grand Falls and Windsor will have a common source.

Control of the system to delivery point would be the responsibility of the Regional Group.

Breaks will, or may occur, and contractors will have to be engaged at short notice to repair lines, valves, etc., and the Regional engineer should be qualified to make such decisions and be able to ensure a continuous flow of water.

Financial

Communities, if left to protest charges made directly for expenses of the Board and water costs to delivery point, will only embarass the Provincial Government, and collection will be difficult.

It is therefore recommended that all charges and expenses concerning water to delivery point, and the cost of operating the Regional Board, be deducted annually from the Grant given municipalities on a per capita basis. The Government could absorb, say, 10% which would conceivably be less than that now expended in sending departmental people to communities on various occasions as demanded.

It can be argued that such small communities would be charged an amount disproportionate to the services received from the Group. However, all will have wells or septic tanks requiring advice or supervision and there will be more time available for other engineering and administrative assistance since Grand Falls will replace its Town Engineer and continue to follow its Municipal Plan and standards already accepted and in use.

Secondary Role of Group

To advise and assist as required the various Development Associations within the Region.

Structure of The Regional Advisory Group

Probable total cost: Salaries of Group, travelling expenses, Stationwagon for Engineer and Staff, Office Rental, etc., $45,000 annually maximum.

The suggested composition of the Advisory Regional Group is as follows:

1. A Chairman
2. A Civil Engineer
3. An Accountant
4. A Typist

The Chairman

He would be unpaid but with an expense account to cover travelling and accommodation. He should be a resident of the Region, preferably having served on a Council and not now active, and not known to be, or have been, active in party politics.

He would be appointed for two years.

The Civil Engineer

The present Town Engineer in Grand Falls would become the Regional Engineer, assisting and advising communities to ensure proper roads and road drainage construction, insisting on uniform standards throughout the Region in accordance with good engineering practices and accepted Canadian Codes, and water and sewerage and drainage problems. He would advise and make recommendations to the Department of Municipal Affairs through the Chairman. His salary would be paid by the Department of Municipal Affairs.

The Accountant

This would be a part-time travelling auditor examining the books of smaller communities regularly, advising all Councils on Government Funds and Grants available and assisting them in their application.

It is not necessary to elaborate on the lack of qualified clerical staff in the smaller Local Improvement Districts and their need for assistance.

This Accountant, preferably from a firm experienced in Municipal Audits, would be paid on a time basis by the Provincial Government at professional or contract rates, and it is anticipated that one day per Council per month should be sufficient, plus travelling time. In the event of irregularities detected, these could be dealt with at the discretion of the Department of Municipal Affairs, who might call for a full audit by the Accountant or the staff of the Finance

Department of Government. His remuneration, or that of his company, would be paid by the Provincial Government.

Typist

A 'memocord' could be provided each member of the Board with one 'playback' located in Grand Falls. It is suggested that this location be the Grand Falls Town Office. Cassettes would be turned in to the Stenographic Department in the Grand Falls Town Office for typing. Reports could also be typed by the Grand Falls Town Office Staff.

The Grand Falls Town Council could be re-imbursed for the use of the stenographer, and rental of an office should the Board locate its office in the Town Hall at Grand Falls. This has been included in the estimated cost of $45,000.00.

Conclusion

It is felt the institution of this Advisory Group would save both Councils and the Provincial Government considerable money over the years and by the regular visits avoid costly mistakes by advising inexperienced Councils of pitfalls and the Government of probable results of hasty actions by Councils.

It would also assist in up-grading Council staffs and by constant liaison be able to pass on ideas to other Councils and Development Associations in the Region which would inevitably assist in the economic betterment of the Region as a whole and some of the less fortunate communities in particular.

Regional Government and Major Capital Expenditures

The distances from Buchans to Point au Bay and the difficulties of travel in winter preclude regular monthly meetings of Council representatives if such meetings are held at night. Chambers of Commerce and Development Associations have experienced this problem.

If, when the Advisory Group has been operating for say two years, a Regional Government is considered desirable, meetings could be scheduled for daytime with overnight accommodation when necessary, since it is envisaged that funds will be available to a Regional Government.

The limitation and definition of powers would have to be studied, the degree of participation by each town and Council both in voting power and contribution of funds will have to be considered.

Such a change at this point of time is not recommended until the path has been cleared by the Advisory Group. An inefficient body would do considerable harm to Municipal Government and accomplish nothing except to waste money.

An Advisory Group could call a meeting of all Councils in the Region annually for a one or two day seminar and probably accomplish as much at less cost than a Regional Governing body, with the added advantage of following up decisions by virtue of their mobility.

The question of Capital expenditures, particularly those of consequence can be discussed. It is submitted that Regional Capital expenditures for water and sewerage, wherever and in whichever community the expenditures occur, are a just *pro rata* charge against the whole region and each community in it.

The provision of potable water, whether in the form of wells or gravity feed, is an accepted and essential requirement of community life, and it will be incumbent on the governing body when constituted to ensure that good quality water is available to all communities in the region. In the interim the Advisory Group, working through each Council would try to achieve this objective.

But a water source, developed for supplying a town and with the potential to supply other communities which may not yet exist, should not have its primary development costs charged to a simple community. The benefits belong to the region and to future generations in the region.

The same argument can be applied to sewerage disposal systems.

It is possible that Water Boards may be developed in time, collecting all revenue from water sales in the Region, setting uniform rates, and carrying out capital projects as a legal entity, with only emergency maintenance of systems being carried out by local authorities.

Obviously much detailed study is required before Regional Government can be instituted.

The Acts Under Which a Community Functions

The Municipal Act with its amendments appears to adequately suit this Town, and compares favourably in content and format with those of other Provinces examined.

However, the many Acts under which a Community functions and which form the basis for its Bye-laws, becomes an unknown world to many Councils of small communities.

The fault lies not as much in the Acts per se but in the quality of the Councillors and Clerks ill-suited and untrained to fill positions they occupy.

Not much can be done about Councillors, anymore than can be done with incompetent ministers and elected representatives in Government. Many Ministers are no more familiar with legislative *Acts* than most Councillors, and are entirely dependent upon their Deputies to interpret Acts.

This is a penalty paid for Democracy.

If we revert to the Regional Advisory Group we find that the Chairman can materially assist Councils in this respect. First, he should obtain copies of all Bye-laws from all Councils in his Region. Next, when Councils require a Bye-law relating to town operations, the details could be given either verbally or in writing to the Chairman. If he felt competent to do so, the Chairman would write the Bye-law — or the Amendment, paying particular attention to uniformity and conformity with similar Bye-laws in other towns within the Region. It is not envisaged that, say, Bye-laws for dogs in the Labrador would be similar to Bye-laws for dogs in the Central Newfoundland Region, or noise abatement problems would be similar in a papertown to a fishing community on the Coast.

But within Regions there could be a high degree of uniformity.

The Chairman of the Advisory Group having written the bye-laws or having all the necessary details of required amendments or Byelaws, would, by appointment, take them to a Deputy Minister or

Assistant Deputy, or alternatively mail them for necessary action. After approval by the Department of Justice and the Minister, the Bye-laws would be returned to the Chairman, who would take them to the Councils concerned, the contents explained where necessary, and confirmation obtained that they are properly Minuted by Resolution of Council and published."

(2)

"Engineers could be hired on a full-time basis to serve several Town Councils in the area, i.e., Harbour Grace, Carbonear, Victoria or Upper Island Cove, Spaniard's Bay and Bay Roberts. This would save considerable overlapping. No doubt engineering firms are making the most out of our divided situation. Also, the same engineer could act as advisor to Councils on various programs which come up from time to time. That could save Councillors a lot of time and worry. I won't list all the problems that arise which could be referred to Professional Engineers but I can assure you they are numerous.

We also have the problem of Municipal Police. This could also be done on an area basis. Harbour Grace, Carbonear and Victoria could have two or three police equipped with a car. This could easily be managed on a cost-sharing setup. We need Municipal Police for the many problems that are facing our communities.

Snow clearing equipment and services could be used very effectively on a joint municipal arrangement. We could, for instance, purchase one snow blower between three or four Councils; also a grader equipped with snow clearing attachments could be of great benefit for three or four towns.

Fire fighting equipment could be easily handled and shared quite effectively by several towns co-operating. The savings in equipment alone could pay the salaries of several full-time fire fighters.

The above mentioned services plus an overall program of water & sewer systems could be administered by a District Council which could be made up of one or two members from each Council concerned and their sole responsibility would be to handle the services that could be on an area basis. In other words, they wouldn't necessarily have to be involved in the everyday operations of a Council such as garbage collection, building permits, etc."

(3)

"Since 1971 we have been engaged in further Municipal Studies across the Province and it has become increasingly obvious that larger units of local government are required. I would make a special plea for the establishment of Rural District Councils so that paid staff can be retained to administer a wide area especially in those districts which now contain a scattering of small communities. Equitable taxation, according to services received, is an essential part of any re-organization programme, and no area should escape taxation completely, otherwise the whole purpose of development control can be nullified.

Some councils complain of lost glories! Trinity is a case in point. In early years Trinity Harbour embraced Trinity East, Port Rexton, Goose Cove and Dunfield while today its Community Council holds office over a very small portion of the original nucleus. Larger areas embracing a population of not less than 1,000 people must surely be the basis of a Town Council and beyond that level the Rural District Council should be established."

(h) **Miscellaneous Comments (Commission's Proceedings)**

Finally, we present a series of 24 brief excerpts from records of our proceedings prepared by the Executive Secretary. These references to regional government, the problems of local government in Labrador, the decentralization of the Department of Municipal Affairs and Housing and the amalgamation of municipalities are selected from a much larger body of evidence, since these subjects were treated at all public sessions.

(1)

"All present agreed regional government would be a good idea."

(2)

"Mr. ...... thought a regional board or committee would be preferable to regional government. It should have an advisory role to each municipality and should not have any power or authority. Mayor ...... thought regional government meant that the Department of Municipal Affairs would be decentralized."

(3)

"Mr. ...... thought there should be a two-tier system of regional government, where communities have been designated as one (special) area by DREE. Mr. ...... agreed."

(4)

"Mr. ...... recommended that district councils be set up in each electoral district."

(5)

"Mr. ...... felt that it would be good for the area to co-operate on services. It might be difficult for some services though as the places (on the Northern Peninsula) are too far apart."

(6)

"Mr. ...... did not favour a *regional council* for the area, however."

(7)

"(A Regional system) will no doubt have a number of advantages, provided it is adequately staffed so that decisions and recommendations could be made on the spot. Without proper staff and authority a Regional Office could develop into another avenue of government red tape."

(8)

"Mr. ...... made a brief presentation on behalf of the .... association. A circular was sent to every fifth person on the provincial voting list for all the communities in the area. 661 were sent out; 114 replies were received. 77 were in favour of amalgamating and 37 were against it. Mr. ...... pointed out that there was no attempt to outline any arguments for or against the proposal; the Association took a completely neutral stance throughout and was merely stating the results.

There then ensued a discussion of:

- Whether the executive was right in sending out the circular without the consent of the general membership;

- Whether the association was credible, whether it was representative of the whole area, whether it was able to hold the constitutionally required number of meetings with the required quorums."

(9)

"There should be some sort of *organization* for Labrador North: some forum for the people to meet together. Mr. . . . . . . was not sure how it would work, however."

(10)

"Mr. . . . . . . thought that having a *regional council* might solve the problem of how to get the best people on council. It might even be possible to get full-time people working for the council. He also thought people might pay taxes more readily if the notice came from a big council, not from their neighbour."

(11)

"The problem is that (in Labrador) there is no Provincial Government presence. Could that be alleviated by some sort of halfway point between the local and provincial governments."

(12)

"It was suggested that Newfoundland should consider adopting the *county system* used in Quebec. Six counties could be used for Labrador: Churchill Falls, the Labrador City-Wabush area, Lake Melville, and three on the Coast."

(13)

"The proposal for regionalized municipal services such as garbage collection, fire, etc., was outlined by the Chairman.

Mr. . . . . . . thought such services would cost more. It would be all right to have a common dump if the government would pay the transportation costs.

Mr. . . . . . . thought it would be a good idea."

(14)

"Mr. . . . . . . made the following additional points, with which Mr. . . . . . . 'agreed wholeheartedly'.

Regional Government composed of representatives from the councils would not work, as weather would impede attendance at meetings.

There would be problems if regional government were a broad decentralization of the Provincial Government. It would be difficult to delineate the regions and decide the location of the group. The precise numbers of the group would also be hard to decide."

(15)

"Mayor . . . . . . presented a brief on behalf of . . . . . . and made the following supplementary points:

- A regional council should be set up to hire professionals for the area and present a common front to Government. It would be a two-tier system.
- When asked by Mr. Harnett, Mayor . . . . . . agreed a decentralized Provincial Department would be all right too, if authority were also decentralized."

(16)

"Mr. . . . . . . was in favour of actual amalgamation, but Mr. . . . . . . 'could not see' abolishing local councils and thought a tier should be added."

(17)

"Mr. . . . . . . noted that there were too many small councils on the Peninsula (pop. 1,800) and recommended some form of *regional council* to 'gobble up' some of the smaller units. Such a step would be worthwhile from an administrative point of view alone.

Mr. . . . . . . supported this recommendation, pointing out that if all the Peninsula communities . . . can work together for economic development, why not for all local government. He noted that presently there is duplication of services and competition for Government Grants among municipalities. He wondered, however, whether smaller communities would be left out if there were regional government.

Mr. . . . . . . supported the recommendation as there is a similar situation around . . . ., ..., ..., and . . . .".

(18)

"Mr. . . . . . . endorsed all the points made thus far in the meeting, and added these additional ones:

- he thought it 'unfortunate' that the Proctor, Redfern study was done in St. John's: 'there are greater reasons to have it here'. 'We should be the area where regional government is done on a trial basis.'
- he strongly objected to the use of municipal governments as political pawns."

(19)

"The board feels that greater representation from the smaller areas such as . . . ., and less from the city of St. John's would be in order since one individual would be insignificant when it comes to obtaining results for the area he represents."

(20)

"Regional Government: 'We are afraid of it'; 'what would we get from it?' "

(21)

"There are a number of different forms of regional government to choose from: it does not matter which is used as long as it is the same for the whole island *or* one could have entirely different sorts in various areas, but each would need to be clearly defined, whatever it was."

(22)

"There has been no talk of regional government in the area . . . (. . . . .) incorporated as a community in 1948 and became a town in 1964. People wanted to get rid of garbage, get roads, etc. They were afraid at first, but got information from Magistrate . . . . . ., and then realised there was nothing to fear ."

(23)

"The amalgamation of . . . . and . . . . is a necessary and long overdue step to developing an effective Municipal government structure.

This amalgamation will provide the opportunity for significant changes in the local structure and will require a great deal of Provincial flexibility and support."

(24)

"All agreed councils should work together. Mayor ...... and Mr....... thought the idea of a Joint Council to be good.

Mayor ...... wondered whether various municipal boundaries should be extended so the whole is in one or other municipality. There is a problem already with the centre of the Island. He did not want boundary extension to mean that enlarged councils would assume responsibility for the roads though!"

Submissions of the St. John's Metropolitan Area Board and the City of St. John's

It was indicated earlier that the Commission was not able to hear public discussion on the St. John's Urban Region Study. At its St. John's hearing, however, the St. John's Metropolitan Area Board presented proposals which have a bearing on the capital region's system of municipal government, particularly the difficulties which it has encountered under the present regional framework, and its recommendations for a reform of that framework. Before the Board's brief is cited, however, it is appropriate to set out the rationale for basic governmental reform in the St. John's metropolitan area, as provided in Chapter 3 of the *St. John's Urban Region Study: Local Government Report* (pp. 16-19).

(i)

St. John's Urban Region Study

"The need for local government reform in the St. John's Urban Region stems from present day inadequacies that are structural, functional and financial in nature. On all three scores the system is incapable of meeting current problems and will be more so in the future as more people live in the area and problems become more acute, more pressing and more difficult to resolve. Moreover, the problems are often as much the result of past neglect as of present growth; in a number of areas conditions have posed a threat to health for some time, and further delay in organizing to effectively deal with them could have serious consequences.

Specifically, the need for reform arises from needs at the local, regional, provincial and federal levels. We will consider each in turn.

Local

It is at the local level that most of the problems are most apparent, although effective solutions will often require a broader-than-local approach. Among the most serious needs are the following:

1. Many settlements lack any kind of municipal organization, and are therefore unable to provide even the simplest and most obviously necessary of local services. Although growing awareness of pressing needs is gradually bringing about the organization of more local municipalities, the pace is too slow compared to the problems, and the piecemeal approach too often creates units too small and limited in resources to effectively grapple with the problems that must be faced.

2. As a result, many of the existing municipalities are administratively and financially incapable of handling even purely local affairs, and there is no regional agency available to help them.
3. Growing financial needs are compounded by the lack of adequate and equitable systems of local taxation.
4. There are great inequities among taxpayers, within as well as between municipalities, and as the need for local tax revenue increases resistance to such unequal treatment is bound to rise.
5. Service standards vary greatly, above as well as below the minimally adequate level.
6. While there is some relationship between the taxes paid and the standard of services received, large numbers are either receiving poorer services than they should or paying lower taxes than they should.
7. There is a growing awareness of needed local services, but with either no or inadequate local government such awareness is frequently unable to bring about any effective action.
8. A number of the municipalities are governed by appointed boards rather than elected councils, and although this may be desirable at the outset, it is increasingly difficult to justify in an era of growing citizen awareness and participation.
9. There is no ongoing forum where local leaders can regularly exchange views and learn from each others' experience; consequently some of the same mistakes may well be made again and again.

Regional

10. There is no adequate municipal machinery to come to grips with area wide problems or to achieve any kind of coordination; the agency that has this potential — The Metropolitan Area Board — has been emasculated by the fact that local municipalities are withdrawn from its jurisdiction as they are formed.
11. The problems that are area wide or at least affect more than one municipality cannot be met effectively without some kind of regional or at least sub-regional authority.
12. Some services are being provided on a local basis which could be more efficiently handled either regionally, or jointly among a number of the municipalities.
13. Desirable area-wide standards are frequently either missing or not enforced because of the lack of any area wide authority.
14. The regional centre, where most growth is planned to occur, is fractured into a number of municipalities, unorganized settlements and potential development areas. Effective coordination of services and implementation of development controls will be difficult if not impossible under these conditions.
15. Without some pooling of resources across the region, the poorer areas seem consigned to perpetually inadequate services; yet they help supply the labour force necessary to the commercial and industrial functions of the urban centre.

16. Because there is no effective regional or sub-regional authority to help meet local needs, municipalities are forced to rely too much on the province, eroding local autonomy.
17. Because local municipalities are unable to cope with sewer and water requirements, serious health hazards have developed which pose a threat to the larger community.
18. Without some form of regional organization, effective implementation of the Regional Plan and the Municipal Services Plan is either unlikely to be achieved or likely to place onerous demands on the Provincial Planning Office.
19. School boards, already regional in scope, are pressing for increased revenue from local sources throughout the region, in competition with municipal needs which must be financed from the same pockets. Regional municipal organization would seem as essential as regional school organization, for budgeting as well as other purposes; moreover, effective means will have to be found for coordinating local tax levies for municipal and education purposes.

Provincial

20. Provincial-municipal financial relations have too often been of an ad hoc nature, a poor basis for long range planning.
21. Present formulae for provincial grants to municipalities appear inadequate both to fill the average gap between municipal needs and resources, and to sufficiently redress the inequalities amongst municipalities.
22. Present provincial assistance to municipalities in the fields of police protection, fire protection and roads is sharply different as between the city and surrounding areas. This situation will increasingly call for some measure of rationalization, particularly if a regional government is organized.
23. Provincial investment as necessary infrastructure in the region requires the protection against obsolescence which only area-wide municipal coordination can assure.

Federal

24. The commitment of federal government assistance is rightly contingent on the same protection, and hence on the creation of a local government structure that can cope with the above problems on a regional basis.

For these reasons the need for local government reform is felt to be both widespread and pressing."

(j)

St. John's Metropolitan Area Board

"The following brief is submitted by the *St. John's Metropolitan Area Board*. The revision of Municipal Government in Newfoundland and has some very far reaching implications. The imposition of taxes and restrictions on people who have lived in the absence of any Municipal Authority is not an easy task. The brief that is hereby submitted is not an in-depth analysis nor does it make any detail recommendations. This is an area that would require a detailed study by a recognized authority, especially in the field of municipal finances, (since it is) recognized that the pattern of growth and demands of the Metropolitan Area have changed considerably in the past eight years and it is essential that the Metropolitan Area be administered to reflect the change.

The 1966 plan for the St. John's Metropolitan Area aimed at establishing a continued program of development and the creation of a second tier of government as areas within the Metropolitan Area became incorporated. Up to now, however, the St. John's Metropolitan Area Board has no detailed zoning regulations and no overall plan for the area's future development. While existing controls and policy have been helpful within the Metropolitan Area, lack of facilities or positive zoning regulations has resulted in haphazard development outside the area to some extent and increasingly difficult problems within the area. This refers in part to lack of residential land for comprehensive development, lack of trailer park facilities, increasing ribbon development, and uncontrolled development at Torbay, Pouch Cove, Portugal Cove, etc.

With the population of St. John's and its surrounding area increasing from 78,000 in 1956 to 135,000 in 1973, the time has come for a review of the municipal structure of the St. John's Metropolitan Area to ensure that the needs of the area and its people can be satisfied and (some) controlled pattern of development continue. The best way this can be achieved is for the people who are controlled by the Metropolitan Board to have representation on the Board.

The Recommendations of some recent reports on the area and a similar area in Ontario follow:

1. In 1957 Canadian British Engineering Consultants Limited recommended a form of administration whereby the activities of St. John's, Mount Pearl and a Metropolitan Area would be co-ordinated to secure organized growth and development. Initially the administrative body would be small to ensure smooth operation, increasing in size as the demand required. This report envisaged a township form of government which would consist of four distinct areas extending to approximately the present Metropolitan Boundary. The Governmental Structure would be formed from the City Council (St. John's); The Town Council (Mount Pearl); the Township Council; and the Metropolitan Council.

The City and Town Councils would remain as they are since they operate under separate acts. The Township Council would consist of four distinct areas each with two locally elected members. This eight-man council would be presided over by a reeve appointed by the Lieutenant-Governor in Council. As the local governments matured the reeve could be elected.

The Metropolitan Council would consist of a Chairman, appointed by the Lieutenant-Governor in Council, and six members; the Mayor and three councillors from St. John's; the Mayor of Mount Pearl; the Reeve of the Township.

2. The St. John's Metropolitan Area Board of 1966 suggested the formation of a board with 21 members. This board should consist of: A Chairman (appointed), ten members representing St. John's; three members representing Mount Pearl; one member from each of the following incorporated areas, Goulds, Penetanguishene,

Logy Bay, St. Phillips, Paradise, who shall be elected; two members representing the unincorporated areas.

During the interim period between the establishment of the board and the incorporation of all the Urban Development areas, the members for the unincorporated areas would be appointed by the Lieutenant-Governor in Council to represent the residents of the area. The Board would be deemed to be a joint planning authority with all the powers and duties assigned to such a joint planning authority by *The Urban and Rural Planning Act, 1965*.

3. In the Province of Ontario a similar situation exists around the Sudbury area as exists here in the Metropolitan area. A study for that region recommends a consolidation of one city and five townships. The overall planning control would be in the hands of a regional council with local services the responsibility of the lower councils. The regional council would consist of seventeen members, all indirectly elected. Each new township would be divided into wards for election purposes and the Mayor of each new township would be appointed to the regional council. Sudbury, being the hub of the region, would have the largest portion of the regional council, being represented by an eight member board of control. The Chairman of the regional council would be chosen annually by the council from its membership.

4. The St. John's Urban Region Study which has just been completed has put forth three alternatives:

   a. City-Council System in which the City of St. John's is expanded to take in the urban areas and a county government is established to govern the rural areas.
   b. A Regional System with St. John's enlarged, Mount Pearl enlarged and four additional municipalities created to control the rural areas.
   c. A Regional City System which would have the region divided into a number of communities.

As an outcome of this study three additional studies are being carried out: (1) A Regional Water System Study; (2) A Regional Sewer Study; (3) A Regional Solid Waste Management Study. Without some form of regional authority it would be very difficult to implement and operate any utilities that may result from these studies. The demand for services is very great but in many cases in the Metropolitan Area it is too expensive to provide the services because the development took place in a ribbon form. These areas are in a tax free area which cannot continue. To maintain utilities requires revenue; however, taxation without representation is not morally right in a democratic society.

Following are some of the possible alternatives which have been considered:

1. The Board can continue as is, the probable result being that as various urban areas become incorporated, the Board's influence and usefulness would diminish until it would be administering scattered barren or hilly areas. This is already apparent with the incorporation of the Town of Goulds, L.I.D. of Paradise, L.I.D. of Hogan's Pond, Town of Torbay and an expansion of the City of St. John's. Overall planning would be in

the hands of the Provincial Planning Authority, with unorganized and probably unequal representation from the unincorporated areas. Planning and control would therefore probably not be too effective.

2. Formation of a small board as, or similar to, that recommended by the Canadian British Engineering Consultants.
3. Formation of a relatively large board, as recommended by the St. John's Metropolitan Area Board Report 1966, and similar to that proposed for the Sudbury region.
4. Incorporation of Northeast Avalon area, except St. John's and Mount Pearl, as a single municipality.

It is strongly recommended that the form of administration finally adopted for the St. John's Metropolitan Area be one that allows representation from the areas being controlled; further that the Metropolitan Area be expanded to include all the Northeast Avalon. Alternative No. 3, above, then is the basic form of council recommended, although the actual composition could be somewhat different from that below.

It is suggested that the Board could consist of the following:

a Chairman appointed by the Lieutenant-Governor in Council;
the Mayor and three or more Councillors from St. John's;
the Mayor of Mount Pearl;
one member from each of the following:
  Logy Bay (including Middle Cove, Outer Cove and Marine Drive);
  Portugal Cove (including Portugal Cove Road);
  St. Phillips (including Horse Cove Line, Thorburn Road, Old Broad Cove Road);
  Paradise (including Topsail Road from the Trans Canada Highway Overpass to Topsail Hill);
  Topsail Road (including Blackmarsh Road, Brookfield Road);
  Goulds;
  Kilbride;
  Shea Heights;
  Torbay;
  Pouch Cove.

It is also recommended that the position of Chairman be a paid full time position.

In considering alternate forms of government to guide the development of the Northeast Avalon Area, the City of St. John's through its Council should be expected to take a major role. Some of the reasons for this are the following:

1. St. John's is the largest (by far) centre of population and in fact the main reason for the existence of some of the surrounding communities.
2. The greatest wealth of municipal government experience rests in the St. John's Council Members.
3. In dealing with matters common to the whole area, such as transportation, regional water and/or sewage systems, garbage disposal, conservation, etc. the City of St. John's would usually have the greatest interest and the greatest need.

4. The future growth of the City has to be into the Metropolitan Area, hence the development of the Area is vital to the City's future development.

Summary:

It is recommended by the present St. John's Metropolitan Area Board that:

1. The Metropolitan Area be expanded to include all the Northeast Avalon.
2. The Metropolitan Area Board be made a second tier of Government with as full representation as possible.
3. Board Members should be elected, either directly or indirectly.
4. The City of St. John's should be represented on the Board because of the interdependency on service but this should not be a majority representation.
5. The St. John's Metropolitan Area because of its location has unique problems, for this reason it must have its own act and divest itself of the local government act. To work within the confines of this act is becoming more difficult. As *The Local Local Government Act* applies to all Newfoundland there is a reluctance to make changes because of the possible ramifications that it would have on other areas of Newfoundland."

It should be noted that the above submission represents a primary option in addition to the three presented in the *St. John's Urban Region Study* relating to the future structure of regional government in the capital's metropolitan area. In its formal and lengthy brief to the Commission, the City of St. John's did not deal in a central manner with this basic question. It did, however, refer peripherally to a number of issues related to this question. The following excerpts from the City's submission, therefore, are placed on the record:

(k) *St. John's City Submission (Boundary Matters)*

"The City submits that the boundaries of the City should be enlarged to encompass areas adjoining the City, particularly areas which are being or are likely to be incorporated in the City in the immediate future so that the City's investment in its utilities is used to the maximum advantage.

The reasons for this proposal are set forth in the Council's brief to the Phelan Commission on page 3 under the heading 'Boundaries'.

At the present time the boundaries of the City can be altered by the Lieutenant-Governor in Council without consulting with or obtaining the prior consent of the City. This, the Council submits, is not satisfactory and suggests that the *Act* be amended to provide that no alteration in the City boundaries take place except with the mutual agreement of the City and the Province and that any such alteration be carried out in an orderly and practical manner so as to ensure the proper extension of the City's services to such areas as quickly as possible without diluting to any appreciable degree the quality and quantity of such services to the areas already within the City's boundaries.

The City also points out that there are certain areas in close proximity to the City, which have been or are being developed solely because of the harbour and port facilities, rail connections, water and sewer connections, street services, work force and markets supplied by the City. An example of such areas is the Donovan's Industrial Park.

There are other areas in close proximity to the City which are owned by the Crown and could become developed in the future by reason of the aforesaid City services. The City contends that such areas should be vested in the City to ensure that the developers in such area contribute to the cost of the City's services on which they rely for their development.

Certain commissions including but not limited to the Pippy Park Commission, the St. John's Housing Corporation and the Metropolitan Board, have been appointed by the Provincial Government to deal with areas within or abutting on but outside the present boundaries of the City.

The appointment of such commissions has created problems which relate to inadequacies that are structural, functional and financial in nature in the peripheral areas of the City controlled by such commissions and some 20 settlements, most of which have been incorporated on an expedient or adhoc basis and none of which is capable of supplying more than limited local services, and no machinery exists that even attempts to co-ordinate their activities.

The St. John's Metropolitan Area Board was designed to supply development control to a substantial area surrounding the City, but the incorporation of the aforesaid settlements and the creation of the aforesaid commissions has resulted in the fragmentation of the Metropolitan Board's effectiveness.

Concern is also expressed over the uncontrolled growth of unserviced development such as hotdog stands and gas strips along the arterial accesses to the City rendering future highway improvement difficult and costly and creating unnecessary traffic hazards to the large number of accesses to such roads.

In the field of residential growth in the peripheries of the City, it is both irrational and ironical that people who want to live in a rural setting expect all the amenities and conveniences of an urban development without accepting the responsibility of paying therefore, and this has resulted in the subsidization of the cost of services to people living in areas surrounding the City which rely on the City for the bulk of their physical, social and commercial services. By reason of the foregoing the City contends that its residents and taxpayers are being discriminated against. These problems can be solved in so far as they relate to such commissions by bringing the same under the jurisdiction of the City, which the City submits should be done, and otherwise by enlarging the boundaries of the City to include the fringe areas, or that a federation of the existing local municipalities be set up which would also control unincorporated territory within the areas or if not it would be placed under the jurisdiction of the City.

This would ensure that the by-laws, regulations and codes of the City which have relevance to and should be uniform throughout the area, and that areas which have been developed because of the availability to them of the City's services should make a contribution to the City for the use of such services either by grant or payment of taxes."

(l) *St. John's City Submission (Intergovernmental Consultation)*

Under the heading "special problems", the City of St. John's made a final point on the need for intergovernmental consultation. It requested that there be:

> "Provision for consultation between existing municipalities, including the City of St. John's, and the Government when it is proposed to establish new municipalities in the same general area where such municipalities exist, particularly with respect to the use by such new municipalities of facilities of the established municipalities."

7. Citizen Attitudes Toward Regional Councils (Commission's Survey)

The citizen attitude survey, described in Chapter 4 and Appendix F of this report, included questions on the desirability of joint councils or regional government. This was a particularly difficult area on which to solicit meaningful opinions from average citizens. As the foregoing sections have made clear, "regional government" is an enormously complex subject, suggesting many possible structures and patterns of implementation. Moreover, variations in local conditions throughout the province have different implications for the desirability and feasibility of whatever specific forms of regional government might be proposed. Yet a mass attitude survey places severe constraints on the complexity with which questions can be put, on the room for variation in respondents' answers, and on the ability of analysts to weigh those answers against individual respondents' knowledge, preconceptions, local environment, and so forth. With these limitations in mind, we present the basic results obtained from the survey on this topic.

All respondents (in the sample of more than 1,300 individuals) were asked the following basic question on regional government:

> *"Under our present local government, most towns have their own separate council. In your opinion, would regional councils combining a number of towns be a good idea, or is it better to stick with individual councils in each community?" (Q. 52)*

Regional councils good idea	32.9%
Individual councils better	62.0%
Depends	5.1

("Don't know," "no answer" excluded. N = 1, 153)

In addition, those respondents representative of presently *unincorporated communities* were asked the following special question:

> *"If (this town) were to have a local government, do you think it would be best for it to have a council by itself, or would it be better to join with one or more other communities?" (Q. 36)*

Join with others	44.1%
By itself	53.2
Depends	2.7

("Don't know," "no answer" excluded. N = 162)

It is thus clear that, overall, when confronted with these simple questions, average Newfoundlanders are opposed to "regional government" by a ratio of nearly two to one. Even among those in unincorporated places, among whom 77 per cent favoured establishing a council in their area, a majority opposed joining even one more community to accomplish this goal.

Before examining variations in this response pattern in different areas of the Province, we wish to present some of the reasons given for the above responses. Many respondents were in fact not able to state a specific explanation for their answers, indicating both the unfamiliarity and complexity of the question. Below is a summary of reasons that were given, with examples of these comments following:

Reasons for opposing regional or joint councils	**Entire Sample (Q. 52a)**	**Unincorp. Only (Q. 36a)**
Representation of local needs would suffer; citizens would lose contact with councillors in large area.	21.5%	8.0%
Communities could not co-operate or agree; would create conflict.	8.3	7.2
Large area too difficult to administer; no other towns close enough; communications and travel difficult.	9.0	6.7
Some areas might get more benefits than others.	6.6	3.6
Other reasons.	2.1	5.7
Don't know, no answer	14.0	13.1
Reasons for favouring regional or joint councils		
United or larger councils can do more for communities.	14.9	15.8
All areas in regional council would receive more equitable service, benefits.	7.6	3.8
Some small places cannot support councils alone; only way to extend municipal government to all.	3.4	14.8
Get more grants, recognition from government.	4.0	1.9
Other reasons	1.0	2.1
Don't know, no answer.	1.0	5.9
Depends on size, local willingness to co-operate, guarantees of fair treatment, etc.	5.1	2.7
Total	100.0%	100.0%

Typical responses in opposition to regional or joint councils:

"Because (councillors) are more aware of the needs of their own community and subject to more pressure for action."

(Gander librarian)

"You can talk your business over better."

(Terra Nova mechanic)

"Work better on your own than with someone else."

(Sandringham housewife)

"Problems would be too varied and each member of a regional council would be supporting his own region."

(Gander secretary)

"Why take on more when they can't even do this place right?"

(Parson's Pond housewife)

"There's problems enough with one council . . . don't need two or three mixed together."

(Happy Adventure carpenter)

"Some places can operate well on their own. Why should they join up with less and be bogged down?"

(Eastport fisherman)

"Larger areas pay more than smaller areas, yet those smaller areas want just as much done for them."

(Norris Arm housewife)

"Regional councils take more out of individual communities than they put in."

(St. Paul's housewife)

"Each area has different needs."

(Cow Head fisherman)

Typical responses in favour of regional or joint councils:

"Here where towns are so close, instead of having four or five poor things - like schools - you could have one good one."

(Eastport housewife)

"The more places are combined together, the more work it makes."

(St. Paul's park caretaker)

"With more people representing one area, they might get the government to listen to them."

(Happy Adventure janitor)

"Better chance to get loans and things like that."

(Cow Head housewife)

"Could provide services like garbage collection and snowclearing cheaper - only $10 per year."

(Baie Verte mechanic)

"Would stop petty rivalry in this area."

(Stephenville technician)

Typical qualified responses:

"Depends on size . . . regional councils are good for small communities and individual councils for large towns."

(Eastport housewife/salesperson)

"Depends on whichever meets local needs best."

(Stephenville teacher)

"Combination of both to meet needs."

(Stephenville maintenance engineer)

As we have already noted, citizens in unincorporated communities were moderately more favourable toward regional government than were those from organized places. This tendency increased among those in the smallest settlements (below 250 in population), among whom 56 per cent thought it would be a good idea to join one or more other communities in a council. No other significant variations in opinion on this issue appeared when results were broken down by various social categories. However, marked shifts occurred from one geographical area to another within the provincial sample, as shown in Table 13-2, ranging from 60 percent in favour of regional government in the Badger's Quay area to a low of five per cent in Pasadena-Humber.

A Baie Verte man interviewed in the survey probably spoke for many when he said, "I'm not aware of workable regional councils anywhere." In this regard, several areas included in our sample are of special interest inasmuch as they have already had some experience with municipal or regional

Table 13-2: Variation in Opinion on Regional Government

Sample Area*	Opinion on Regional Govt. (Question 52) Favour	Oppose	Depends	Number of Interviews**
Badger's Quay-Valleyfield-Pool's Is. RD	60%	38%	3%	73
Dark Cove-Middle Bk.-Gambo LID	59	37	5	92
Cupids TC	48	43	10	31
Bonavista Peninsula RA	43	52	5	111
Marystown TC	40	58	3	72
Placentia Bay West RA	40	59	1	100
Bay Roberts TC	36	61	2	53
Southwest Coast RA	33	58	10	60
Southern Shore RA	33	67	0	50
Bishop's Falls TC	28	70	2	44
Norris Arm TC	28	72	0	44
Baie Verte TC	24	72	4	27
Eastport Area RA	23	72	6	62
Elliston TC	20	73	7	49
Gander TC	18	62	20	72
Stephenville TC	18	74	8	66
St. Barbe South RA	14	81	5	59
Stephenville Crossing TC	12	85	3	57
Pasadena-Humber RA	5	93	2	33
Total Sample	32	62	5	1,153

*Abbreviations: TC-Town Council; RD-Rural District; LID-Local Improvement District; RA-Rural Area, possibly including both incorporated and unincorporated communities.

**Percentages are based on weighted number of interviews in each area, excluding "don't know" and "no answer" responses.

cooperation of some form. Badger's Quay-Pool's Island-Valleyfield Rural District and Dark Cove-Middle Brook-Gambo Local Improvement District (now a Town Council) both incorporate three distinct communities, and therefore might be regarded as "protoregional councils". We therefore find it especially significant that these areas ranked first and second among the nineteen in our sample in the proportion of their citizens supporting regional government. Although neither of these areas is without its municipal problems, citizens there seem to have acquired some faith in the advantages of cooperation through actual practice.

Two other sample areas are located on the Burin Peninsula: Marystown and Placentia Bay West. The former has participated for many years in the Joint Councils of the Burin Peninsula, and its Mayor and Town Council strongly advocated regional government for the Burin area before this Commission, as did neighboring councils. In the survey, both of these areas were 40 per cent in favour of regional government — higher than average for the Province, but well below majority support.

Two rural areas in the survey, St. Barbe South and the Eastport Peninsula, have been involved in regional economic development cooperation through federal ARDA and DREE programs. Both were well below average in support for regional municipal government; 14 and 23 per cent, respectively.

Finally we note that Stephenville, which at the time of the survey was embroiled in the issue of amalgamation with the Harmon and Kippens areas, ranked near the bottom of the sample in receptiveness to regional government (18%). At the very bottom, with more than nine in ten respondents opposing regional government, was the Pasadena-Humber area, most of which has recently been drawn into the Great Humber Joint Council together with Corner Brook. Initial citizen reaction to this first step toward cooperation seems hostile toward eventual culmination in a full regional council, perhaps out of fear of domination by Corner Brook.

The Commission concludes that direct experience with various forms and degrees of inter-community cooperation in the municipal sector produced varied results in public opinion. The steps proposed in this chapter toward regional structures in these or other areas should be guided by lessons to be learned from closer examination of the factors underlying these variations in citizen receptiveness.

8. A Proposal for Regional Municipal Government in Newfoundland

(a) *Is Regional Municipal Government Necessary?*

It will be apparent from these submissions, proposals and reactions that the Commission has found a considerable uncertainty and diversity of opinion among organizations, municipal leaders and others in the perplexing matter of Newfoundland's requirements and potentialities in the sphere of regional municipal government. This uncertainty extends as well to experts, officials and technical consultants; it is by no means confined to municipal leaders and laymen. Yet there is obviously a tendency for many leaders to believe that some unknown regional instrument might prove to be useful. *But this view is not shared by the majority of respondents in the attitude survey*. It is our conclusion, therefore, that there is no broad *consensus* concerning the concrete and specific purposes that Newfoundland municipal regional authorities should serve, the public benefits they are likely to produce, the formal structures they might possibly have, the fiscal resources that would have to be placed at their disposal, the specific service functions for which they should become responsible, and even the basic procedures which ought to govern their initial establishment and subsequent development. Since regional municipalities have never existed in the Province, moreover, there is little or no awareness of the intergovernmental political process which inevitably must accompany the introduction and operation of regional municipal authorities. This conclusion should not be considered unusual, for as we suggest below it is a common phenomenon in all jurisdictions where experiments with the traditional and newer regional models have been undertaken.

For one thing, the images, perceptions and notions that people have of regional government are extremely uncertain. But in recent years there has also been a growing tendency to believe that regional government will miraculously solve all problems. General examination of the materials presented in the previous section, for example, will indicate that the following matters were almost invariably considered to be issues pertaining to regional government:

(1) criticism of the existing regional administrative structures of provincial government departments or crown agencies;

(2) the alleged tendency for provincial decision-making, even in relation to minor administrative detail, to be excessively centralized in St. John's;

(3) the urgent need to achieve some measure of regional decentralization of the Department of Municipal Affairs and Housing;

(4) the adjustment of the boundaries of established municipalities and, in some cases, the amalgamation of adjacent communities;

(5) the necessity of achieving loose, informal patterns of cost- and service-sharing among a number of municipalities within close geographic proximity to one another;

(6) the need to achieve more effective development control outside of incorporated communities and to secure regionally integrated planning efforts across the Province;

(7) a failure to distribute properly the D.R.E.E. capital grants and loans, in consequence of their initial "special area" focus;

(8) the need to have a suitable areal framework within which to promote and actually achieve suitable levels of regional economic development;

(9) criticism of prevailing policies and administrative practices that result in inefficient public investment, service duplication, haphazard provincial support programmes, equipment under-utilization and the improper location of facilities in relation to regional requirements;

(10) the alleged need to have certain provincial government functions (education, police, hospitals and so on) delegated to regional municipal governments;

(11) the need to have people or their representatives organized for purposes of promoting a region's general interests and particularly for bargaining with and "pressuring" senior governments; and

(12) the urgent necessity of achieving a governmental "presence" in Labrador.

It will be apparent immediately that while all of these matters have a clear regional focus, just what their implications may be for any specific framework of regional municipal *government* is by no means obvious. Many of them, indeed, have no *necessary* connection with regional government whatsoever. It is clearly *possible*, as an example, for provincial department administrative regions to be altered, and the Department of Municipal Affairs and Housing to be effectively decentralized, without creating municipal regional *governments*. Municipal boundaries can be altered and communities amalgamated within existing procedural rules without *requiring* regional municipal governments. Various patterns of informal cooperation among incorporated communities *could* be developed without recourse to formal municipal regions. There already exists a legal and administrative framework for regional planning and for development control outside the boundaries of incorporated municipalities; it could be held that the obvious benefits flowing from these activities do not *demand* regional municipal government. The requirements of regions in regard to economic development, and bargaining with senior governments are not *obviously* dependent upon the introduction of regional government as such, since there are effective alternative means of achieving these objects. Greater care by the Province in the distribution of its general fiscal support programmes and its capital grants, in combination with improved local administrative practice, could *certainly* reduce inefficiency and duplication of services; and it is clear that these benefits could be achieved entirely outside of any regional municipal framework.

At the same time, it is clear that a number of the presentations do contain elements bearing directly on issues which, in the Commission's opinion, have a necessary connection with regional municipal government. All materials dealing with the St. John's urban region obviously meet this test. Beyond that question, there is an agenda of general issues that are of critical significance for the development of municipal government in future years. How, for example, could some aspects of the important provincial functions in education, the administration of justice, highways, community development and cultural affairs, rural development, hospitals and so on be effectively deconcentrated without *requiring* the establishment of regional *government?* What is to be done about the incorporation process as it presently operates, and how is the population in presently unorganized communities to be accommodated? How, in real terms, are the many problems facing the smaller municipal units in the Province to be dealt with, even if it is assumed that substantial improvements in existing provincial-municipal administrative practice were realized? We have in mind, in this connection, some of the following difficulties: those that are *inherent* in the small size of most municipal populations and the sub-optimal scale of most local service operations; these associated with the very tenuous *legitimacy* accorded local institutions in some communities by the citizenry, notwithstanding a high and intensely personal identification with local interests; those associated with *isolation* and *clustering;* those that stem from the absence of trained personnel and *technical* services; and those inherent in the ever-present *limitations on local fiscal resources.* These are the primary problems associated with the realities of municipal life in Newfoundland. None of them, in the Commission's view, can really be dealt with adequately within the present provincial-municipal structure. One of our most experienced town managers is undoubtedly right in his judgement that "there is no future (in) being a lone municipal policeman or dogcatcher." The very essence of the whole question is as simple and as concrete as that! *It is concluded, therefore, that a central policy objective during the next stage of municipal development in Newfoundland should be the incorporation of municipal regional authorities.* And having reached that conclusion, it is necessary next to specify precisely what functions these governments should undertake, what structure they should have, how they should be financed, and what procedures should be followed in their establishment and development.

(b) *The Functions of Regional Municipal Authorities*

In previous chapters the existing allocation of functional responsibility as between the Province and its municipalities has been outlined. It is thus not necessary to describe once again the unique structure of these intergovernmental arrangements. When considering the division of public service functions in relation to any possible regional system of municipal government, however, it is necessary to distinguish four separate service categories. First, there are services which at present are the exclusive responsibility of the Province and that are delivered generally on behalf of all citizens of Newfoundland. As a rule, the benefits flowing from these services are not specific to place or property. But there is, secondly, a small category of exclusively provincial services supplied solely to the inhabitants of unincorporated rural settlements. Third, there are those functions described in Chapter 5 which are delegated exclusively to municipalities, although the scope of those delegations, as we have seen, varies with the two main municipal categories. Finally, there are potential service functions which have yet to emerge and which, therefore, have yet to be formally allocated.

It has been suggested to the Commission that regional governments should be assigned responsibility for some unspecified aspects of the major functions now performed by the Province in such fields as education, the administration of justice, highways, hospitals, tourist and recreation development, and possibly also rural development. The vague nature of these proposals is of concern to the Commission. In all provinces of Canada there has been a strong tendency in recent years for provincial governments either to assume direct administrative responsibility for the programmes in those fields assigned originally to municipalities, or else to allow local authorities to retain their delegated authority only within the context of increasing controls and conditional grants which have the effect of limiting municipal influence over them. This process has been the source of incessant wrangles and has tended to poison the atmosphere of provincial-municipal relations in many jurisdictions. It reached its peak in 1967, for example, when in a single, drastic step, the Province of New Brunswick abolished all its traditional single-tier rural counties and assigned *all* of their former functions — even those concerned with purely local matters — to provincial authorities. (This experiment in New Brunswick represents a very special case of regional experimentation. That province, in effect, has been created as a single major region for rural local government purposes; it now provides local services to unincorporated rural areas formerly under county jurisdiction through more than a hundred local service districts operating under 12 decentralized sub-regional offices of the Department of Municipal Affairs. Thus, the New Brunswick rural system has been converted into a model similar in some respects to Quebec's four territorial regions.)

The Commission believes that no person familiar with the political and administrative problems created by the intergovernmental tangle in most mainland provinces respecting the sharing of responsibility for education, welfare, health and hospitals, transportation functions and the administration of justice would recommend that any *major* responsibilities in these fields should now or in the future be delegated to any local or regional government in Newfoundland. *It is a primary recommendation, therefore, that the main elements of these vital legislative fields (where the services delivered are of primary benefit to persons generally rather than to places or property) should under no circumstances become the delegated legal responsibility of either local or regional authorities within Newfoundland.* In brief, we believe that any approach to regional municipal government should be confined essentially to a consideration of the following functional categories:

(1) present service responsibilities assigned by delegation to all municipal categories;

(2) provincial services now delivered exclusively to unincorporated communities whose benefits are specific to place and property;

(3) miscellaneous provincial functions to be detailed below;

(4) the present functions within regions of school tax authorities and the collection of school assessments by denominational school boards;

(5) emerging functions which may be deemed suitable for delegation to local or regional authorities.

Under this proposal, the following maximum service responsibilities, in whole or in part, would be assigned to municipal regions, at times and locations within the Province deemed to be appropriate by the government.

A. *Present Functions Delegated to Municipal Authorities:*

1. Fire fighting and Fire Prevention
2. Inspection and Control of Building
3. Land Use Control: Lot Severances, Zoning and Zoning Variances
4. Streets and Bridges
5. Roads within the Region other than Provincial Roads and Highways
6. Water and Sewerage Systems
7. Public Libraries
8. Acquisition of Utilities
9. Parks, Playgrounds and Other Recreation Services or Facilities
10. Solid Waste Disposal
11. Public Housing Programmes
12. Street Lighting and Electricity Distribution
13. Airports and Airstrips
14. Bus and Transportation Services (by franchise or commission)
15. Cold Storage Plants
16. Cemeteries
17. Planning
18. Emergency Measures
19. Municipal Police
20. Expropriation of Property
21. Municipal Regulations
22. Taxation
23. Borrowing
24. Power to Enter into Agreements

B. *Provincial Services to Unincorporated Rural Areas:*
1. Local Road Boards
2. Local Water Supply Committees
3. Waste Material Disposal Committees
4. Joint Municipal Planning
5. Local Area Planning
6. Regional Planning
7. Protected Areas or Roads
8. Development Control

C. *Miscellaneous Provincial Services*
1. A.D.B. Water Systems (Department of Municipal Affairs and Housing)
2. Animal and Dog Control
3. Ambulance Services

D. *School Tax Billing and Collection on Behalf of School Boards*

E. *Emerging Functions*
1. Community Improvement Associations
2. Promotion of the Region
3. Some Local and Regional Aspects of Environmental Management
4. Such Other Functions considered to be suitable for Delegation to regional Municipal Authorities (e.g., land assembly and land banking)

It is the Commission's view that this broad framework of local and regional functions should be explicitly designated as the maximum authority to be delegated to municipal regional governments. In a word, it is considered that when they emerge as fully-developed institutions, municipal regional authorities could assume direct responsibility for (1) certain retional services delivered to all people; (2) all existing local government functions outside the incorporated areas; (3) the regional coordination of certain local activities; (4) some provincial functions now performed by different government departments; and (5) the school revenue-collection function. Implicit in the proposal, therefore, is the belief that municipal regional authorities could in time become very strong political and administrative centres responsible for a broad range of important local and regional services. It is envisaged that they would ultimately be delegated *significant* functions to perform and that they would be assigned a *corresponding* authority to undertake these functions. When fully developed, they could provide major concentrations of technical and administrative strength at the regional level; they would clearly make possible a better integration of local and provincial administrative arrangements than exists at present; and they could, and should, ultimately displace many existing towns and local government communities when their capacity to deliver the required local services at lower cost and at less inconvenience to the local ratepayers is demonstrated.

It is admitted that the probability of this latter trend being realized will depend upon success in developing strong, effective regional units of government that eventually come to be regarded as legitimate by citizens. This result cannot be expected to "happen" immediately, nor will it be achieved simply by legislative act. But legislation must create the framework which would enable citizens to experiment with, and grow accustomed to, regional forms and processes. *And the general design of that legislation, in the Commission's view, is of critical consequence for the entire venture.* Based upon the Canadian experience with regions, two contrasting strategic choices appear to be possible. Regions could be established with minimal powers, and the exercise of those powers could as in British Columbia depend largely on local option. On the other hand, a much stronger regional model could be considered, with the intent of complementing existing municipal organization and of providing a suitably *integrated* and effective authority at the regional level.

The Commission strongly favours the latter option. Indeed, given the nature of existing municipal organization in Newfoundland, it believes that the establishment of weak regional structures would merely compound the many problems noted throughout the report. It is recommended, therefore, that while particular regions may be established in the first instance with only rudimentary functions, they should be developed within a legislative framework that contemplates and indeed encourages their growth as all-purpose authorities with the power to govern effectively. A consequence of this strategic choice, moreover, is the added recommendation that Newfoundland's regional authorities should be designed as "two-tier" units. They should not be moulded on the Alberta county system and become merely a single level rural supplement to existing municipalities in the Province. Newfoundland does not need and clearly can ill-afford yet another category of weak, resource-starved local authorities.

For these reasons, the Commission concludes that the legislative framework to be provided for regional municipal authorities should authorize the scheduled delegation to them of the following functional responsibilities, at times, locations, and in those forms deemed appropriate by the government:

(1) *the power to levy* and collect, from all eligible ratepayers within the region, in accordance with procedures described below, the real property tax, the flat rate service fee, and the water-sewerage rate; (the latter tax to be levied as an annual mill rate on property assessment or as a monthly service charge);

(2) within the framework of provincial planning law and regulations, *the power to engage* in regional planning, local area planning, joint planning and development control activity and other designated functions now under provincial jurisdiction;

(3) in accordance with clearly specified limits, and subject to the Minister's approval, *the power to co-ordinate* existing municipal (1) fire, (2) snow clearance, (3) building inspection, (4) zoning, (5) recreation, (6) local regulations, (7) waste material disposal, and (8) water and sewerage utility services;

(4) *the power to perform* direct area-wide functions in respect of municipal police, ambulance service, animal and dog control, land assembly, regional improvement associations and other functions that may be prescribed or permitted optionally;

(5) *the power to borrow* for capital purposes, subject to the approval of the Minister;

(6) *the power to provide* all municipal services in unorganized areas within the region through the establishment of all-purpose local service districts and advisory boards, the latter bodies to include and in some cases replace all existing local road boards, water committees, waste material disposal committees and other similar bodies now under provincial jurisdiction;

(7) *the power to assume direct responsibility* for the regional aspects of water supply and distribution (including, where required, control of A.D.B. water supply systems) and for sewerage collection, treatment, and disposal;

(8) *the power to collect* all school taxes and assessments within the region and to distribute their proceeds to the school boards;

(9) *the power to undertake,* on behalf of and by formal agreement with, any municipal authority within the region, any function which it currently performs or is by law capable of performing on terms and conditions deemed to be mutually advantageous;

(10) *the power to provide,* on behalf of and by formal agreement with any municipal authority within the region, contract services, tax billing and collection services, engineering services, management consultant services, and electronic data processing or other technical services.

Any delegations of the full range of regional authority herein recommended would clearly establish very strong governmental units capable of providing the required integration of local and regional services not possible under the present structure. When they have emerged as fully-fledged units, these regional authorities could also provide an essential support for many of the existing small municipalities operating under extremely difficult circumstances. *Under the terms of this proposal, regional authorities would, however, be assigned no power whatever to do any of the following things:*

(1) except as hereinafter provided, to levy *regional* taxation of any kind within the boundaries of any presently or subsequently incorporated municipality within any region;

(2) to assess real property;

(3) to alter the boundaries or legal status of any presently or subsequently incorporated municipality within any region;

(4) to determine the rates of or to levy school taxes or assessments;

(5) except by formal contract based upon mutual agreement, to engage in any *local* planning activity within any existing or subsequently established municipal boundaries;

(6) except by formal contract based upon mutual agreement, to engage in any other function assigned by law to any presently or subsequently incorporated municipalities within any region.

And the Commission wishes to emphasize, finally, that the recommended power of the regional authority to coordinate the eight municipal functions specified above, subject to the Minister's approval, does not extend to the *actual performance of those functions within municipal boundaries, except where such a transfer is duly authorized by mutual and formal agreement.* The regional authority, in brief, would establish area-wide standards, say in respect of fire services, building inspection and zoning; but the actual administrative performance of these and other functions within municipalities would normally remain, as is now the case, a responsibility of elected municipal councils. The regional authority would, however, engage directly in administrative operations within those parts of a region not incorporated for municipal purposes as a town, district or local government community.

Following recommendations made to it, the Commission considered but has rejected a proposal that regional authorities be delegated power to undertake a responsibility for regional roads which would extend beyond the purely local road function in unincorporated communities, or those within local authorities where regional-municipal agreement for the region's assumption of this local function had been negotiated. When examining this question we have given careful attention to the division of intergovernmental responsibility and the consequent administrative difficulties associated with this matter in Ontario's counties and its new regional municipalities. In that province, a responsibility for regional roads is shared by the government and its second-tier municipalities. And to illustrate concretely the nature of these difficulties we cite the following eight recommendations set out in the 1967 report of the Ontario Committee on Taxation:

"Provincial Grants to Municipalities

1. The Department of Highways prepare a scheme for classifying all roads in accordance with the user and local access benefits that flow from them, and assign each Ontario road and street to its appropriate class within five years of the publication of this Report. (21:24)
2. Upon the completion of the road classification scheme, provincial road grants be based on total expenditure for each class of road within a municipality, the percentage of provincial aid to coincide with the percentage of user benefits assigned to each class of road. (21:24)
3. Municipalities be given the right to appeal the classification of any road to the Department of Highways, and then to the Ontario Municipal Board, which shall have the right to require further studies by the Department of Highways, and whose decision shall be final. (21:25)
4. Transitional measures accompany the introduction of the new road grants to help municipalities adjust to changes in provincial payments, such measures to be gradually phased out within five years of the introduction of the new grant system. (21:26)
5. While the present county road equalization scheme remains in effect, no county be penalized for fiscal efforts that enable it to exceed the level of defined needs. (21:29)
6. Development roads be designated by the Minister on the sole criterion of population sparsity, and a list of roads so designated be tabled annually in the Legislature. (21:33)

7. **Roads designated as development roads either be under provincial jurisdiction or, where population growth is likely, be provincially supported in such a manner that development status is phased out over a period of no more than ten years, at the end of which the road becomes an integral part of the municipal system. (21:34)**
8. **A report on all special considerations giving rise to provincial road assistance to municipalities that cannot be geared to formulas be tabled in the Legislature, together with the dollar amounts of special provincial assistance involved. (21:35)"**

Ontario Committee on Taxation, Vol. I, pp. 233-234.

The Commission does not believe that Newfoundland can afford any *régime* which in practice leads to complications of the kind requiring the above recommendations. *It does not recommend, therefore, that any existing provincial responsibility for roads or highways, except that currently relating to local roads boards, should be delegated to any local or regional authority.*

At various times it has been suggested to the Commission that some form of regional authority would provide a "solution" to the problem of municipal police requirements. This question was examined in Chapter 5, above, where it was suggested that existing arrangements are considered to be quite unsatisfactory. *It is the Commission's conclusion that upon the incorporation of any region this power, except in the case of the largest towns as suggested in Chapter 5, should be assigned exclusively to the regional authority.* (The power currently delegated to local authorities respecting police would thus be really the only one to be generally transferred upward to the region.) The purpose of the proposed regional police force would be to ensure that all communities, incorporated and unincorporated alike, received adequate levels of municipal police services. These services should be confined to the following activities: the control of gatherings and vandalism; the enforcement of local traffic rules; the control of animals and dogs; the enforcement of local area and municipal regulations; some municipal inspections; and the serving of summonses upon local tax defaulters. Regional police would have their headquarters in the regional centres. The core of each regional police establishment should be provided by the Newfoundland Constabulary Force, at least three of whose officers should be seconded for periods of duty with each regional police unit. One of these officers would be designated chief of the regional force. *Regional police establishments would be responsible to regional councils to the same extent that the Constabulary Force is now responsible to the council of the City of St. John's.* Regional police units would also be subject to the direction and supervision of the Minister of Justice: they would cooperate mutually with the R.C.M.P. who would continue, at the Province's discretion, to be responsible for the broader provincial police function. But the regional police establishments would not be under the control of the R.C.M.P. detachments.

The animal control recommendation in this Chapter also deserves brief notice. This matter undoubtedly will remain the cause of problems irrespective of whatever administrative arrangements are proposed. The Commission considers that the present method of assigning responsibility for dogs, for instance, to both local and provincial governments is unsatisfactory. Provincial control is sporadic and uncertain in practice, whatever the statutes and regulations may prescribe. For their part, local authorities encounter many difficulties in licencing and enforcement and are generally unable to provide the facilities for impounding and disposing of stray animals. We believe that regional authorities would achieve greater success in this field. *It is recommended, therefore, that animal control in general, including the licencing, impounding, and disposal of dogs, should be assigned exclusively to the regional authority. But the regional government could, if it desired, authorize municipalities to continue licencing dogs if this purely administrative function could be performed satisfactorily under the region's supervision. Provincial control over dogs, in any case, should be terminated.* Under this proposal each region would probably have to establish an animal control centre with appropriate facilities for the holding, feeding and caring of horses, cattle, dogs, and other animals in a responsible manner.

Another area-wide responsibility that we recommend should be assigned to regional authorities is ambulance services. When considered broadly, these services are now unsatisfactory from the standpoint of their availability, efficiency, cost levels, and methods of organization. The Commission is aware that the government has recently announced a new policy toward ambulances in an effort to improve both the levels and standards of this essential service. But the Commission believes that the current mixture of public and private enterprise in this field will ultimately prove to be unsuitable. Regions of the kind herein proposed would provide a generally superior base upon which to organize efficient public ambulance services, which could be fully integrated with regional police and local fire services.

There is some scope for activity by regional councils in the fields of recreation and, possibly, the tourist service sector. It is impossible to specify in advance of municipal-regional and regional-provincial agreements what these exact functions might be. Undoubtedly they would vary from region to region. There certainly exists a need for coordination at the regional level insofar as the location of major capital facilities is concerned. But there are also a wide range of recreation programmes that do have a regional as distinct from a purely local focus. While these programmes would be co-ordinated regionally, the municipalities would undoubtedly continue to have the primary responsibility in this sector. *The Commission does not recommend, however, that the provincial park function be delegated to regional authorities.* Regions should be encouraged to develop their own distinctive methods of tourist promotion and should stimulate improvement associations of all kinds.

(c) *The Fiscal Implications of Regional Municipal Government*

It is apparent that the fiscal requirements of any particular regional authority established under the Commission's proposals will depend upon the nature and range of the powers delegated to it and the functions which it actually undertakes to perform at any given time. It is obvious, however, that any *fully developed* region would need substantial fiscal resources. *Since the regional authority would in the ordinary course by formal agreement become the tax billing and collecting agency for many smaller munici-*

palities, and since from the beginning it would have a direct administrative responsibility in the local service districts, and since, moreover, many of the smaller municipal units will ultimately be disincorporated, the Commission recommends that regional authorities at a time considered appropriate should be assigned all the municipal taxation powers specified in the previous chapters of this report. At the same time, this delegation should expressly prohibit, except by agreement with a participating municipality, and except as prescribed below, the exercise of these *regional taxation* and tax collecting powers within the boundaries of any presently or subsequently incorporated municipality located inside the region.

As they would function in accordance with the design offered in this report, Newfoundland's regional authorities should ultimately require funds for the following 10 specific purposes:

(1) to operate their regional councils and to provide for a general administrative support structure at the regional level;
(2) to perform their regional, local area, joint planning and development control functions;
(3) to undertake their assigned service coordination roles;
(4) to deliver their general regional services described above;
(5) to collect and distribute school taxes and assessments;
(6) to perform their local functions in the proposed non-municipal areas or local service districts;
(7) to perform, by agreement, designated local services on behalf of municipalities;
(8) to supply, by agreement, technical and administrative support services to municipalities and local service areas;
(9) to provide the regional elements of water and sewerage utility services;
(10) to undertake any additional assigned responsibilities.

It has been proposed that one-half the annual cost of regional government in Newfoundland should become a charge on the Province, and that the other half should be supplied by a uniform, flat rate poll tax or service fee to be levied on all eligible regional ratepayers. The Commission does not accept this proposal. Although it has the advantage of simplicity, it is considered to be both impractical and inequitable. Instead, we recommend the following fiscal structure for regional authorities: *First, until such time as all real property in any region has been assessed, one half of the annual costs incurred by the regional authority in performing functions (1) through (4) above, should be recovered fully by application of a general flat rate, uniform service fee to be levied on all eligible ratepayers in the region. Second, when all real property within any region is fully assessed, a real property tax should be levied at a mill rate sufficient to recover one-half the costs associated with the performance of functions (1) through (4).*

In either of its forms, this proposal implies a substantial provincial contribution as an incentive toward regional municipal development, since the remaining half of these service costs would be underwritten by the Province. But it should be remembered that some of the responsibilities performed *under functions (2), (3) and (4) above are services for which the Province is currently responsible. Ultimately, however, it is recommended that all ratepayers be taxed on the assessed value of their real property for regional services. Third, the full cost of the regional authority's school tax and assessment collection function should be recovered from school boards.*

Fourth, the annual or other amounts now provided by the Province on behalf of local road boards, local water committees, or other similar bodies for current operating or maintenance purposes would be abolished. They should be replaced by an annual grant to the region, in respect of its population not living within incorporated communities (i.e., in local service districts), which should be equivalent to the general assistance grant recommended in Chapter 8, above, for distribution to all municipalities in Newfoundland. (Because it would already be receiving an incentive contribution, the region, upon imposing the real property tax, should not be deemed eligible for the tax incentive grant.) The proceeds of the general assistance grant should be maintained in a separate account and would be applied by the regional authority exclusively in its local service districts upon the recommendations made by service district advisory boards. The nature of these arrangements and of the advisory boards is indicated below.

Fifth, all municipal functions undertaken on technical-administrative support services supplied by mutual and formal agreement between any regional authority and any incorporated unit within its boundaries, except those designated above in respect of the region's power to provide functional coordination, planning and general regional services, should be undertaken or supplied only in accordance with the principle of full cost-recovery.

Sixth, by virtue of their assigned responsibility for providing certain regional water and sewerage facilities and other non-utility projects, the regional authorities will require the powers to borrow for capital purposes and to recover from user municipalities and the residents of local service districts a portion of the annual carrying and debt repayment costs associated with such utility activity. For this reason, regional authorities should be given an assured access to capital funds as determined by the Municipal Capital Projects Board and the Minister. (It is strongly recommended that in connection with non-utility projects the cost-sharing arrangements pertaining at any given time between the Province and any regional authority should always be identical with those prevailing at that time between the Province and all non-regional municipalities.) In return for supplying regional water and sewerage services, the regional authority would levy a user fee on participating municipalities and, if necessary, the appropriate monthly tax on ratepayers of local service districts.

It was suggested above that a special regional fund for local service districts would be required into which the provincial grant in respect of their inhabitants would be deposited. The basic level of local services provided generally by the regional authority to its non-municipal districts in each year would be controlled by the size of this grant. District utility charges, the costs of higher service standards or any special services requested of the region by particular districts would be recovered from their residents by an addition to the general regional tax levy or by the imposition of a monthly user charge.

(d) *The Structure of Regional Municipal Authorities*

Unlike the structure of British Columbia's regional district boards, that of the Newfoundland regional councils will quite likely have to be based upon the direct election of all regional councillors. So far as the Commission is able to determine, the majority of Newfoundland's regions contain too many incorporated units to make possible any equitable system of indirect regional representation for local authorities within regional boundaries. Bearing in mind the difficulties encountered in British Columbia with mixed boards consisting of appointed and directly elected members, this circumstance may well prove to be advantageous.

The situation prevailing in this matter is illustrated with reference to the Burin Peninsula. Late in 1973, for instance, that region had 10 incorporated towns, a single rural district, 13 local government communities and some 28 unorganized settlements. Using the 1971 census tallies, total population in all towns amounted to approximately 19,000, or rather more than 70 per cent of the region's total population. Town sizes varied from 4,960 (Marystown) to 453 (Bay L'Argent). There were two towns in excess of 3,000, three that ranged between 3,000 and 2,000, and five contained 1,000 and under. The local government communities, on the other hand, included a population of some 4,000 and ranged in size from 506 (Rushoon) to 140 (Winterland). The population in unorganized settlements was about the same as that under the community councils and each of these categories accounted for 15 per cent of the regional population. Unorganized settlements, however, ranged in size from 426 (Swife Current) to two (Great Paradise). If every incorporated unit was to have its mayor or chairman on the regional authority, the number of appointed members of the council would be 24, and a weighted voting scheme similar to that used in British Columbia would be required because of municipal size variations. Such an arrangement, the Commission believes, would be quite unworkable; indeed, it would even require the addition of some councillors elected from the unorganized settlements. And a system of rotation among municipalities would be even worse. *The Commission recommends, therefore, that when they are established by the Lieutenant-Governor in Council, regional councils should consist of between seven and 15 members, each elected from single-councillor constituencies with approximately equal populations.* Regional constituencies would thus include both incorporated and unincorporated populations. Several other structural options are available in theory and have been considered, but none of them appears to be suitable under present circumstances.

At a time considered to be appropriate, all areas within the region not then incorporated for municipal purposes should be organized as local service districts, consisting of clusters of communities, with locally elected or appointed advisory boards. In some instances these bodies could replace local road boards, water committees or waste material disposal committees. In other instances, the latter units would continue to function. The role of the service district advisory boards would be to recommend to the regional council the allocation of provincial grants received on their behalf. At the same time, they would communicate to the region, if necessary, their recommendations concerning the provision of existing additional or special local services. If and when they were supplied, additional or special services would require the imposition within the local district of a cost-related regional service levy which would be added to the general regional tax. Advisory boards could also serve as local area channels of communication in relation to district planning requirements and development control activity. The local district advisory boards, it is recommended, should not be delegated power to make any decisions, except where they happen also to be functioning road boards or water committees.

The regional electoral system should operate in much the same manner as it does in municipalities. Council terms should be for four years and should be coterminous. It should be a matter for each regional authority to decide whether the chairman of its council will be elected separately and directly or by the successful candidates from among their membership immediately following general elections. Provision for filling council vacancies and other arrangements, including remuneration of councillors, should generally parallel the procedures and requirements set out in the proposed *Municipalities Act*.

Chairmen of regional councils should be assigned powers that are essentially the same as those of mayors. It is the Commission's view that *no attempt should be made to establish at the regional level a strong Chairman - weak council system of management*. It may be appropriate, however, to encourage some experimentation with a regional executive committee model, together with a more structured requirement at least for the more important standing committees of the council. *It is recommended, in any case, that a regional executive director should always be appointed, and that this key appointment should in each instance be made by the council, subject to the Minister's approval*. This officer would be the region's equivalent of the town manager and he should possess the same procedural defences against arbitrary dismissal by the council as those given to the latter official. Each region should also appoint a secretary-treasurer who would function as clerk of the council and act as its chief administrative officer. As any region moved toward assumption of its full powers and responsibility, a chief of technical services, a small engineering staff, a planner, an accountant, and a solicitor should be appointed. Provision should also be made for *planning advisory groups* to assist the regional councils in the performance of their planning functions. These bodies should have duties similar to those assigned to comparable units in the British Columbia regional district system. *The Commission does not favour the use of separately appointed regional planning commissions*.

The general nature of this proposal on the development of Newfoundland's regional authorities, suggests that very particular care will be needed in designing their top management structures, their middle management and technical working groups, and their administrative support systems. These regional authorities will not only be engaged in conventional, small-scale municipal functions; their staffs will also be responsible for designing and installing various administrative and technical services, for monitoring the performance of their operations, and generally for providing a wide range of support to the region's municipalities. Some of these services will be provided contractually, but many will be made available as a by-product of the region's service coordination functions. The effective development of this support apparatus will require skilled management technique, a sophisticated management information system, the required technical skills and facilities, and suitable personnel policies and procedures. There will obviously need to be effective leadership and supervision by the Department of Municipal Affairs and Housing. *It is possible that the only way in which these severely practical requirements can be satisfactorily achieved is for the entire administrative leadership of each region in the first instance to be appointed by and made accountable to the Minister for a prescribed period of time. This latter option may indeed have to be considered. In any case, the Commission does not recommend the Ontario practice of having the first regional chairman appointed by the Lieutenant-Governor in Council for his full four-year term in office.*

And there is one further point. Very complex accounting and information retrieval systems would be required for the effective working of the regional framework herein proposed. The technical methods of service cost determination and its allocation among different municipalities and service districts will require detailed specifications that must be prescribed by ministerial regulation. The budget process should be similar in design to that recommended for municipalities in general; but it would be much more complex and require considerably more provincial review. The internal control procedure within each region, finally, would require a great many detailed regulations, particularly in respect of contractual and other regional-municipal service arrangements. Where, for example, either a region or (more likely) a municipality defaults on a contractual obligation, immediate and certain means must be provided to rectify the deficiency. These procedures would need to be specified by regulation, to be unambiguous, and to be quickly enforceable. A default by a municipality on service contract obligations to the region should necessitate immediate ministerial intervention in the form of a withholding of the municipal grant supplied by the Province to the offending unit, the temporary appointment of a comptroller or administrator, or in extreme cases, disincorporation.

(e) *Regional Political Leadership*

Notwithstanding these stern requirements, in some respects Newfoundland may be considered to be fortunate in not having developed a system of local government in the traditional Canadian sense. In provinces where local authorities have evolved into powerful and autonomous decision centres, the complex adjustment process in provincial-municipal relations has been inordinately slow and in many cases ineffective in relation to increasing environmental dislocations. Local "vested interests" and their interminable "inter-municipal squabbles" have often inhibited flexibility in policy formulation and stifled the responses and adjustments required in both the local and provincial interests. For this reason, it is quite possible to overemphasize the mere fact of municipal "experience" as the essential precondition for success in regional government. Local municipal "experience", in point of fact, often means rigidity of interest, skill at obfuscation and procedural foot-dragging, and other dysfunctional consequences of "local autonomy". In many parts of Newfoundland, rigidity of local interest, in this sense of the term, simply does not exist. The introduction of regional forms and processes may thus be facilitated by the institutional and psychological fluidity prevailing in this respect.

On the other hand, it is all too apparent that the availability of competent local leadership in a large number of isolated and scattered communities is decidedly limited. Significant efforts in management development at the official level along the lines recommended in the previous chapter must be carefully programmed and implemented in the years ahead. At the elective or political level it is to be assumed that within the context of the incentive and support frameworks herein proposed, Newfoundlanders will prove to be capable of generating their own leadership resources sufficient to sustain and develop the recommended regional structures. It is the Commission's conclusion, therefore, that the limited leadership available in small communities is itself a justification for the approach toward regional government. Indeed, in a psychological sense, the very broad areal scope of regional government may well prove to be beneficial in freeing many local leaders to some extent from their traditional servitude to and difficulties with an excessively narrow, intense local climate of opinion.

9. Basic Options, Conclusions and Procedures

The Commission concludes its examination of the requirements for regional government in Newfoundland, outside of the St. John's urban region, by reducing to very simple terms the single, stark option confronting the Province: either it must embark methodically on the difficult and costly task of establishing regions of the general type described in previous pages, or it must continue with the simple and basic municipal structure established in 1949. It is unfortunate but true that within the traditional structure, no further development can be anticipated. It appears to the Commission that it is an increasingly unrealistic and barren policy to continue incorporating larger and larger numbers of smaller and smaller communities whose ratepayers are willing to contribute in many cases not more than $30 per annum, but whose most basic service requirements often cost four or five times that amount — and whose annual tax deliquency rates, moreover, are not uncommonly in excess of 50 per cent. Indeed, it is not too much to say that the reason for incorporation generally has been to enable communities to receive senior government assistance. Yet this is really all that is possible within the present municipal policy framework. Acceptance of the alternative strategy, on the other hand, quite obviously implies risk, uncertainty, some obvious costs and, even on the most optimistic assumptions, an extremely slow development process. Regions of the kind needed in Newfoundland will never be instant creations, but if the government works cautiously and in a carefully scheduled manner toward the establishment of regions, possibly as many as five of them could be *fully* operational two decades hence. If they were properly launched, nurtured and encouraged to develop their maximum potentials, a much improved system of local government within each region would undoubtedly result.

Hoped for benefits, however, should always be balanced against anticipated costs. Because the regional authorities would be small in number, the direct cost to the Province by way of grants in support of their operations would not perhaps be excessive; but it must also be admitted that indirect costs associated with provincial supervision and monitoring, the provision of strong management services and technical support, and the deployment of other scarce resources, would over time be quite substantial. Important political costs must also be foreseen; and local leaders, whose initiatives, skills and energies would be critical for the successful operation of regions, will also incur major costs. *Notwithstanding all of its apparent limitations, including its unsuitability for Labrador, the Commission nonetheless recommends the regional alternative.* It does so because in the harsh circumstances prevailing there is really no room for manoeuvre in the middle ground between the two extremes mentioned earlier. Indeed, we have examined all the known real and rational structures that are relevant in this regard; we have found them all wanting on grounds of practicality.

The establishment of single-tier territorial units of *local government* in Newfoundland that excluded all presently incorporated municipalities would obviously create a structural monstrosity with an enormous appetite for scarce provincial resources. The model provided by Alberta's county system, therefore, is not of much practical benefit in the light of Newfoundland's needs. The Commission also considered a single-tier rural territorial system within whose boundaries would be found no incorporated municipalities with populations of under 1,000. This surgical operation would have required the disincorporation of all the community councils except Cape St. George, to the number of nearly 130. It would have involved as well the disincorporation of two rural districts, 47 local improvement districts and 35 towns. From a fiscal standpoint, this hypothetical structure has little to recommend it, since it still implies a resource-starved category of rural local authorities. Politically, moreover, there are a number of practical obstacles that render this model quite defective. Various other combinations were examined, including the disincorporation of municipalities with declining populations, with excessive numbers of social assistance cases and with below-average per capita income or fiscal effort ratings. Territorial groupings using these criteria proved to be of little use from the standpoint of discovering an effective local government structure with any coherent regional dimension.

The unique New Brunswick structure was also considered. Application of that model would have reduced the number of municipalities by two-thirds. But the delivery of local services to disincorporated units by the Province would have required the establishment of at least a dozen field offices of the Department of Municipal Affairs and Housing. A major problem which arises in this connection is that New Brunswick, unlike Newfoundland, levies a provincial property tax. Local contributions toward the cost of services provided by the former province on behalf of its unincorporated areas are thus easily collected. The cost of developing in Newfoundland a provincial fiscal instrument *solely* to collect service fees and other local contributions, combined with the cost of providing the local services through departmental field offices, is considered to be excessive. The efficiency which *might* be possible under the latter aspect of the arrangement is offset by the *assured* inefficiency of its former aspect.

Turning to the two-tier structures, it must be admitted that the Commission experienced no greater success. British, American and Canadian regional systems are simply not adaptable to Newfoundland's environment.

The traditional township-county systems of Quebec and Ontario, as Mr. J. C. Crosbie noted more than twenty years ago, are not too relevant, in part because the lower level units are already regions, albeit smaller than the counties, and in part because most of the functions performed by the upper-tier county units in those provinces are in Newfoundland firmly within the Province's jurisdiction and should not, as we have suggested, be delegated to regional authorities. The British Columbia structure appeared more promising at first, but on closer examination it too was found to be inappropriate. The British Columbia regional districts engage in minimal functions, largely at the option of the municipalities and areas within their territories.

British Columbia has four times the population of Newfoundland, but has only two-thirds the number of our municipalities. Consequently, the municipalities within its regional districts are much fewer, generally much larger, and much more conscious of their autonomy and independence. The economic and fiscal environments of the two provinces are also starkly contrasted. *In Newfoundland, the role of the region should be progressively to incorporate the currently ineffective functions of many small municipalities without destroying the organizational fabric of community life nor denying local citizens their recently acquired rights of access and participation in local public affairs. British Columbia's regional districts, in fact, are not designed for any such activist and complex role in municipal life.*

One final structural device widely used in some mainland jurisdictions is the establishment of special-purpose boards that are assigned specific service responsibilities within designated territorial limits considered to be appropriate for those functions: planning regions, water supply and sewerage disposal regions surrounding large towns and cities, conservation authorities, and so on. It has recently been estimated that thus far in Ontario at least 86 *varieties* of special-purpose municipal bodies have been authorized by *general* legislation, in addition to many that are unique to specific municipalities (road boards, utility commissions, recreation boards, etc.). Over the years, whether by design or by accident, the municipal environment of Newfoundland has been kept reasonably free from the proliferating and fractionating effects of this mainland inter-agency and inter-municipal tangle.

"The Councillors up at Pitlochry
Believed in the creed of Ad Hockery
They farmed all decisions
To boards and commissions
And so made their council a mockery."*

The Commission considers that it would be wholly undesirable, whether under the guise of regionalism or in some other manner, for special-purpose agencies to become widely used in Newfoundland. For it is our strong belief that no special interest, other than the paramount interest of elected municipal councils, should be accorded the autonomy that is invariably a consequence of these special delegations. The lack of congruence between municipal and educational functions in this Province is productive of sufficient problems. There is no need whatever to add further complications in this regard.

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*Quoted by Dr. Stewart Fyfe in a recent paper "Local Government Reform in Ontario."

In its brief to the Commission, the Federation of Municipalities recommended strongly that our recommendations on the subject of regional government "should be proposed with the minimum of guidelines so that specific structures and areas of jurisdiction may be achieved by negotiation among those locally and regionally concerned, with the Provincial government". We have, in the event, not found it possible to follow that advice; in fact, we have pursued quite the opposite course. And for very good reason. All questions touching the kind of regional system to be used in Newfoundland, how and when it is to be scheduled for implementation, how much it is likely to cost, and the locations in which it will be introduced are vital to the public as well as the municipal interest measured not in a few years but in decades. The Commission believes that a great many specific guidelines are indeed required in this important matter. *Accordingly, it recommends the following procedures:*

(1) That the *detailed* design specifications for regional government authorities in Newfoundland be provided in a separate part of the proposed *Municipalities Act;*

(2) That regional authorities be established initially by letters patent (subject to the provisions of the *Municipalities Act*), and that alterations in their structures, status, functions and powers be given legal effect through the subsequent issue of supplementary letters patent;

(3) That departmental regulations be enacted which establish the procedures to be followed by the Department of Municipal Affairs and Housing in initiating discussions and undertaking all studies in connection with every proposal to establish a regional authority;

(4) That provision be made in such regulations for a mechanism(s) that will ensure an adequately balanced participation of all major regional interests in the discussions which precede any decision by government to proceed with a regional experiment, including public hearings, formal presentations and special publications;

(5) That in this last respect (and following the practice in Ontario) a *commissioner* be appointed in connection with each regional authority study, and that he be assigned specific responsibilities, be required to follow certain procedures when consulting local interests, and be required to submit his report to the Minister within a designated time;

(6) That the decision to incorporate a regional authority be taken by the Lieutenant-Governor in Council;

(7) That the part of the *Municipalities Act* dealing with regional authorities contain no provision *requiring* that a plebiscite or referendum be held within the proposed region before a decision is taken by the Lieutenant-Governor in Council in such a matter;

(8) That in designing its framework of policy toward regional authorities, the government develop criteria which will suggest where the need for the establishment of regional authorities is most urgent;

(9) That the actual establishment of regional authorities be undertaken no more rapidly than at the rate of one every second or third year, and that every decision to consider a region suitable for incorporation should require the preparation well in advance of all the needed technical reports, plans and studies;

(10) That the first experiment in regional government be undertaken on the Burin Peninsula.

In connection with this last recommendation, the Commission wishes to observe that very nearly 86 per cent of that Peninsula's 1971 population is now incorporated, and that its leaders have long expressed a wish to develop some form of regional government. The record of municipal achievement on the Burin Peninsula is among the highest in Newfoundland.

Finally, the Commission would emphasize that its general design for regional municipal government outlined in previous pages will not, at least in the immediate future, have much practical relationship with Labrador and its four sub-regions. Distances, climate, undeveloped transportation services, language and other problems converge in that region to suggest environmental conditions almost totally inhospitable to the successful operation of regional government systems of the kind described above. It is our expectation that the recent investigation in depth by the Royal Commission on Labrador will point the way to a suitable alternative framework for local government development in that important region.

10. A Supplementary Note on the Relationship Between Regional Municipal Government and Regional Administration in General

The Commission has been given no direct mandate in its terms of reference to deal with this relationship. Yet at many of its public hearings and in numerous discussions with municipal leaders and provincial officials the problems associated with this extremely fluid and complex matter were raised and examined. It is obvious that the regional dimensions of public administration in general are the source of increasing political and official difficulty. It is also clear that attempts are being made at the provincial level to find structures and procedures that promote greater access to governmental centres at the regional level.

It is increasingly recognized that the over-concentration of authority in St. John's detracts both politically and administratively from the efficient and effective government of the Province. Traditionally, each government department acting independently deployed small pockets of administrative personnel in various regions to meet the needs of their own particular programmes. Thus the Department of Health has defined the boundaries of its administrative regions with a view to achieving effective delivery of its medical and health services. The Department of Transportation and Communications has established an integrated systems of regional service centres for the purpose of developing and maintaining the Province's highway and road network. Most other departments have located their field staffs in a manner consistent with their own needs and programmes. The Department of Justice, for instance, maintains a system of magisterial districts. Major field staff concentrations have been deployed by the Departments of Agriculture and Forestry and of Social Services. On very rare occasions, groupings of these various provincial field officials are located jointly in some common regional centre: the concentration found in Corner Brook's Sir Richard Squires Building is a case in point. But in the majority of instances the departmental field staffs are fragmented or located individually. With the recent attempts to develop more effective regional deconcentrations by the Departments of Municipal Affairs and Housing, Fisheries, Provincial Affairs and Environment, and Rehabilitation and Recreation, the overall field deployment patterns of the provincial departments has grown more complex and the resulting need for more rational integration has become more acute.

As an illustration of the real scope of the problem, and of the challenges confronting government in its attempt to introduce a greater measure of coherence in the general design of its field operations, we cite the following excerpts from a provincial working document dealing with the central issues:

> "(1) The basic issue which must be decided is whether the Government is to proceed as it has in the past, i.e. having officials outside of St. John's as extensions of the Departments headquarters in St. John's or whether we intend to develop Regional Government Administration in which Regional Centres are established where government Departments will work *jointly* with common administration and direction to provide programmes and services to their Region of jurisdiction. This raises, of course, the issue of placing significant authority for decision taking in the Regional Administration. It may be necessary to create posts of Senior Regional Administrators with a responsibility for the planning and direction of government programmes and operations for their region for all *government functions* which are performed in their region of jurisdiction.
>
> Or alternatively we may continue the present practice of placing department officials outside of St. John's with direct lines of communications back to their departmental headquarters but integrate their operation through common services and some measure of co-operation between departmental officials within a particular region. In this case, again it will be necessary to consider decentralization and delegation of authority to Regional Administrators of a *particular Department*.
>
> Lastly, it might be possible to develop Regional Administration without becoming *directly involved* in the delivery of programmes or services thus allowing the present departmental structures to continue their present methods of programme operations. This could be done by placing the responsibility for *planning and coordination* for a Region in the hands of a joint planning group for that area of jurisdiction which of course would be composed of senior representatives of each Department in the region.

> (2) Many illustrations exist of the 'tail wagging the dog' with a significant amount of resentment being exhibited towards the centralized administration by both officials of the government as well as the general public. Furthermore, there is no question that the inability of the government to successfully grapple with the administration of isolated communities and regions has caused significant stress and concern as is exemplified by the Labrador situation.
>
> Whilst some of these difficulties can be overcome through improved communications and by the application of effective modern management techniques of direction and control nonetheless major structural flaws will remain in the system. For example, it is generally accepted that there is considerable duplication of 'inspection services' which are fragmented between seven different departments and which obviously have to be co-ordinated and streamlined. Currently small business operators who intend to start up a tourist establishment which will contain a restaurant and bar can have their facilities inspected by up to eleven different inspectors before they are able to proceed with their business. This sort of bureaucratic duplication is clearly inhibiting economic development.
>
> Government Ministers and M.H.A.'s receive a tremendous number of petitions and requests for assistance on administrative matters of the most trivial nature. There is no question that the provision of administrative headquarters and units located close to the constituents who are raising these issues will be able to handle a very large amount of these requests or petitions. However, this cannot take place unless the regional officials are given sufficient authority to be able to solve the issues raised or presented to them at the local level. This also assumes that the government officials on the spot must have the competence and training to act as a proper arm of government in their area of jurisdiction. Conversely once the officials become well aware and knowledgeable regarding local conditions and needs, they ought to be able to predict future requirements and plan their operations to ensure that problems are dealt with in a systematic manner before they become a crisis."

It is recognized that there is an intimate relationship between these concerns and the implications associated with the development of municipal regions in Newfoundland. And there is, as well, a critical linkage between the proposed municipal regions and the present poly-nuclear pattern of denominational school board and school tax authority boundaries, activities, jurisdictions and staffs. *There is without doubt a functionally reciprocal relationship in Newfoundland between the unusually high degree of authority concentrated in St. John's and the broadly unstructured nature of these field arrangements. The two, we suggest, mutually reinforce one another.*

It is the view of the Commission that in developing its regional municipal authorities the Province should attempt as well to use them as territorial bases upon which to secure a better field integration of its own regional administrative units. It should also exercise some influence in an effort to secure suitable adjustments in school board boundaries and in *school tax arrangements*. Many municipal leaders complained to the Commission about the allegedly irresponsible activities of school tax authorities. Such reaction is inevitable and is a widely observed phenomenon in most jurisdictions; but the situation in Newfoundland is exacerbated by regional disarray in the various functional areas. Many citizens, for instance, are unable to differentiate between taxation for municipal purposes and that for educational purposes. Such disarray may be justified if it is assumed that Newfoundland is a "post-industrial" society and that public fiscal resource limitations represent merely an "abstraction". *It should be clear from previous chapters, however, that this Commission makes no such fashionable assumptions.*

Some greater integration of provincial, educational and regional administrative arrangements would obviously foster better communications among their many specialized yet often related administrative components and enable important cost-minimizing programmes to be introduced more effectively. It should also enable the non-municipal elements to use the highly sensitized regional political and administrative processes as sources of *feedback* respecting their own provincial and educational programmes. Indeed, it should be a major and continuing role of regional citizens, municipal leaders and their officials to supply provincial and other administrative officials with a steady commentary on the relevance, suitability and effectiveness of these non-municipal programmes. This interaction process would be facilitated by centralizing common services and providing for concentrated joint provincial-municipal administrative establishments in the designated regional municipal centres.

For each of these reasons, the Commission recommends that all planning undertaken by the Province in connection with the scheduled introduction of regional municipal governments should be carefully linked to the planning and implementation programmes dealing with field office locations to be undertaken by the Treasury Board Secretariat's Organization and Management Division jointly with the different provincial government departments. A liaison role with non-departmental crown agencies and with denominational school authorities should in this respect become the responsibility of officers of the Department of Municipal Affairs and Housing, who would have principal responsibility for implementing the proposed regional municipal policy.

Part V

Provincial-Municipal Relations

Chapter 14

Provincial-Municipal Relations

1. Introduction

The basic forces controlling Newfoundland's unique pattern of provincial-municipal relations were identified in Chapter 10. They included the following elements: (1) the historical circumstances associated with the comparatively recent emergence of municipalities; (2) the maintenance of a very simple, one-tier structure in which each municipal unit has a one-to-one relationship with the Province, its Ministers and their officials; (3) a formal apparatus of administrative control vesting in the Minister of Municipal Affairs and Housing legal powers whose very broad range and detailed scope are unparalleled in any other Canadian jurisdiction; (4) an increasingly apparent municipal reliance upon provincial fiscal assistance and technical skill, due in large part to environmental conditions related to limitations of community size, location and resource endowment; (5) a pattern of provincial decision-making in respect of municipalities that to an increasing extent, and in a manner not typically found in other provinces, assigns very wide discretionary powers to Ministers and their officials; (6) largely as consequence of this latter condition, the emergence during the late 1960's of an intricate structure of competition among municipalities, and of bargaining between them and the Province, involving a broad range of budgetary, service, and other matters; and, lastly, (7) a substructure of attitudes and expectations, some of which are not supportive of a municipal system biased in any substantial manner toward achieving in practice the goal of local independence.

In this concluding chapter the Commission addresses itself to the process of provincial-municipal relations. Attention is directed to the pattern of administrative relations between municipalities, the Department of Municipal Affairs and Housing and other units of government, particularly the Department of Transportation and Communications. As before, there is a brief selection of materials which were received during the course of the inquiry. Following that presentation, there is a short analysis of the outstanding issues which emerged in provincial-municipal relations during 1972-1974, including the dispute with, and resignation of, the Gander town council. Finally, there are conclusions and recommendations, followed by a short programme cost estimate in relation to the entire scope of the report's recommendations.

2. Administrative Relations

(a) *Departmental Resources*

The main institutional focus of relations between the Province and its municipalities is the Department of Municipal Affairs and Housing. Local governments also have important collateral relationships with many other departments as well, of which the most significant involve the Departments of Transportation and Communications, Health, Justice, Provincial Affairs and Environment, Rehabilitation and Recreation, and the Auditor General.

The Department of Municipal Affairs and Housing during fiscal year 1974-75 has a total authorized staff of 106 officials concerned exclusively with municipal affairs. The approved salaries for these officials will approximate $1.1 million, broken down into the following five basic categories:

	Staff	Salary Vote $
(1) Minister's Office	3	33,700
(2) General Departmental Administration	24	253,100
(3) Local Government Administration	21	198,100
(4) Municipal Assessment	9	98,800
(5) Engineering, Planning, Development	37	419,900
(6) Water Services	12	118,000
Total	106	$1,121,600

The Department's total budget, on the other hand, will require current expenditure on municipal affairs amounting to $17.4 million, and a small capital outlay estimated at $650,000. On current account, its expenditure will constitute 3.9 per cent of Newfoundland's net provincial expenditure ($444.4 million). Among the 16 departments of government, and including its housing component, Municipal Affairs and Housing ranks sixth in terms of its net current expenditures, after Education ($148.2 million), Health ($59.0 million), Transportation and Communications ($29.1 million), Social Services ($26.8 million) and Mines and Energy ($21.1 million). The total allocations voted for the different divisions of the Department of Municipal Affairs and Housing are as follows:

	Amount (1974-75) $	Revised Amount (1973-74) $
(1) Minister's Office	40,700	42,600
(2) General Departmental Administration	363,600	239,800
(3) Local Government Administration	14,457,000	9,570,100
(4) Municipal Assessment	115,800	107,600
(5) Engineering, Planning and Development	1,001,500	833,800
(6) Water Services	1,437,500	933,000
Total	$17,426,100	$11,726,900

Of the amount listed under (3) Local Government Administration, ($14.5 million), an estimated $14.2 million will be allocated in the form of current grants. (Votes for road grants and city fire and police services in other departments will increase the total real and imputed grants distributed to an estimated $21.8 million.) It would thus appear that apart from direct money contributions, it now costs the Province some $2 million annually merely to administer its municipalities. Approximately one-half of this amount is required for official salaries. An analysis of the department's staff complement indicates nine senior management personnel, including the Deputy Minister and his assistant Deputy Ministers, one Special Advisor to the Minister, Heads and Deputy Heads of the main divisions = Local Government Administration, Assessment, Engineering, Planning Office, Development Control and Water Services. The department has on strength the following specialist staff:

Top Management Group	9
Other Management Personnel	3
Assessors	8
Engineers	2
Planning Officers	5
Administrative and Clerical Personnel	79
Total	106

(b) *Departmental Programmes and Organization*

The official responsibilities of this staff, which must attend to the needs of nearly 300 municipal units, are as follows:

A. *Provincial Financial Support Programmes*

1. City Grants
2. Revenue Grants
3. Distribution of Road Grants
4. Water and Sewerage Subsidies
5. Initial Grants
6. Grants to St. John's Metropolitan Area Board
7. Capital Grants (Paving, Incinerators, Fire Equipment, etc.)
8. Grants to local water committees (unincorporated communities)
9. Special and Emergency Grants
10. Guaranteed Bank Loan Programme
11. Municipal Debenture Programme
12. Recreation Grants (advisory function)

B. *Federal Government Programmes (Administrative and Advisory Functions)*

1. Local Initiatives Programme
2. Sewage Treatment Loans
3. Winter Capital Projects Fund
4. Urban Renewal-Neighbourhood Improvement Programmes
5. D.R.E.E. Programmes

C. *Supervisory, Advisory and Municipal Support Programmes*

For the purpose of undertaking its official functions, the Department of Municipal Affairs is organized formally into six major divisions, as follows:

1. Local Government Division
2. Municipal Assessment Division
3. Provincial Planning Office
4. Development Control Division
5. Engineering Division
6. Water Services Division

The Commission has been supplied with the following descriptions of work assignments of each of these administrative sub-units:

> "(1) *The Local Government Division.*
> The Local Government Division is primarily responsible for the formation and administration of local government throughout the Province, both from an operational and financial standpoint. The Division operates as one centrally located unit and its basic functions are: to interpret, advise on, and administer government government policies and programmes; to advise government of municipal needs, and to recommend appropriate policies and

programmes; to supervise and control municipal spending, and to provide both an inspection service and a means of advising municipal officials of their duties.

(2) *The Assessment Division*.

The Assessment Division is responsible for ensuring that all municipalities that exercise property tax, with the present exception of the City of St. John's, do so on an assessment of property values that is in accordance with the Assessment Act.

(3) *The Provincial Planning Office*.

The Provincial Planning Office, in addition to providing as its primary function a professional urban and rural planning service for the provincial government at the provincial and regional levels, also provides what is in effect a consultant planning service to municipalities.

Planning throughout the province is carried out under the legislative authority of the Urban and Rural Planning Act, which provides a wide range of alternatives for planning, controlling or protecting from small geographical areas to large regions. It is permissive in that its provisions apply only when invoked, but once invoked for a particular area or community, its provisions are mandatory. The City of St. John's has to date not elected to use the *Urban and Rural Planning Act* but has preferred to use the planning provisions contained in the City of St. John's Act. It is, however, the only municipality to employ a professional planning staff. The Urban and Rural Planning Act also requires that all planning schemes before approval be subjected to a public hearing and that all planning decisions be subject to an appeal procedure.

The provincial planning functions are in the main to develop planning policies and programmes of province-wide application, to carry out research and update planning methods in a rapidly changing society, to provide administrative support for Regional Appeal Boards, to support and assist in the implementation of provincially-sponsored development, to support the work of other provincial departments and to ensure that the best interests of the Province are put forward in the many Federal programmes that relate to development and the environment, and to co-ordinate regional and community planning with the provincial framework.

Regional planning is well provided for under the Urban and Rural Planning Act and regional plans have been prepared for all the most populous regions of the Province, but whilst these plans have proved to be very useful in providing reference material and direction for Government departments and the general public, they have, without the existence of strong regional authorities, been unable to assist materially in the enforcement of possible regional planning policies.

The community planning functions involve the provision of a consultant service for the municipal plans and the provision of direct support in problem solving and Plan implementation to local Councils. Municipalities may employ their own planning staff, which most cannot afford to do even if sufficient planners were available, or may employ planning consultants to prepare their own Municipal Plans. Most, however, prefer to ask for the services of the Planning Office Staff, which are given without charge, but frequently after considerable delay due to the amount of work in hand.

Urban and rural planning, particularly at the provincial level, is a multi-disciplined function and if it is to be both effective and positive, is best carried out by a team of professional planners with varying academic and experience backgrounds in addition to their planning qualifications. The present establishment provides two regional teams of four planners, who have a responsibility both individually and collectively for the planning of communities and subregions within their geographical region of responsibility.

(4) *Development Control Division.*

The Development Control Division was formed originally as a section in the Planning Office to administer Protected Road Zoning Regulations, under the provisions of the Urban and Rural Planning Act. The first 'Protected Road' was the Trans-Canada Highway. The main reason for these regulations was to prevent ribbon development and to ensure that buildings and services were erected to the best interests of the travelling public with regard to safety and convenience. There are now 24 additional highways designated as Protected Roads and the total mileage controlled is 1,456. Generally only highway commercial development within sites established at specific intervals is permitted outside of built-up areas. The Division is also responsible for the enforcement within specific areas described under *The Development Areas (Lands) Act*. This is an Act to provide development control and to prevent land speculation for areas where major industries are to be established. At present, regulations made under this Act are being enforced within the Bay Bulls Development Area and the Gros Morne Development Area. The Division is also enforcing the Provincial Trailer Park Regulations which are becoming very difficult to enforce with the present number of staff due to the ever increasing popularity of mobile home living. These regulations are designed to ensure that mobile home parks be laid out and serviced to offer reasonable services to the occupants.

The main function of the Development Control Division is therefore to provide a means of controlling necessary development, largely in unincorporated areas. Regional offices have been established for a number of years in St. John's, Corner Brook and Grand Falls.

(5) *Engineering Division.*

A major responsibility of the department towards advising and supporting municipalities concerns the planning and implementation of municipal capital works. Funding currently available (1973) for municipal capital works implemented by the Department is:

(1)	Guaranteed Bank Loans approved during financial year 1973/74 for 55 projects (Provincial)	$15.8 million
(2)	Winter Capital Projects Fund 75 projects to date (Federal)	$ 4.1 million
(3)	Projects financed in conjunction with DREE to start in 1973 for 6 municipalities (Federal)	$ 5.2 million
(4)	Local Initiatives Programmes 11 projects (Federal)	$ 0.2 million
(5)	National Housing Act, Sewage Treatment Programme (Federal)	$ 1.5 million
	Total	$26.8 million

In addition, there are sizeable commitments carried over from previous years.

Participants in the implementation process include the municipality, its engineering consultant, its contractor, the bank of the municipality and the Local Government Division has major responsibility for the expenditures of the Department through Capital works programmes.

The work of the Division includes . . .

(1) Identification and assessment of project proposals from municipal requests, engineering reports and other sources.

(2) Formulation of project proposals into suitable financing programmes (as described previously, such as the Winter Capital Projects Fund.)

(3) Readying approved projects for tender call and construction, which involves a great deal of liaison and problem-solving as well as routine paper work.

(4) Control during construction: principally in the sense of budget and cash flow commitments between the municipality, contractor, consultant and the department.

(5) Ensuring proper records are made and that an analysis of the work is carried out, and that municipal staff are trained to understand and to manage the system.

(6) Providing technical support to the functions of the department as well as advice to municipalities on technical matters, inspection work of ongoing projects, and the preparation of routine engineering reports and minor design projects.

(6) *Water Services Division.*

The Water Services Division is of recent formation and resulted from the transfer of certain functions from other departments of government. The main function of this Division is to provide financial and technical assistance to groups of householders within unincorporated areas of the Province so that they may obtain a dependable supply of potable water.

Further, under the Chlorination Programme and Fluoridisation Programme, financial and technical assistance is provided towards the installation of equipment in both incorporated and unincorporated communities. Finally, technical assistance for minor water, sewer, land assembly and LIP projects is sometimes available and given to small incorporated communities.

Because the householders who benefit under the Water Supply Programme reside in unincorporated areas, it is necessary to deal with ad-hoc local committees. The legal responsibility of such committees is presently tenuous and not comparable to that of a municipal council. However, the new *Municipal Affairs and Housing Act* gives the Department the authority to select by election or otherwise, a water supply committee with legal status within the meaning of Section 20 of *The Interpretation Act*.

During the past four years 56 surface water supplies and 199 ground-water supplies have been installed by such committees. Requests for water are on hand from a further 186 potential committees."

(c) *Department of Transportation and Communications (Winter Road Maintenance Policy)*

Municipalities have an extensive set of administrative relationships with departments other than Municipal Affairs and Housing. We confine our description of these matters to the key relationship between municipalities and the Department of Transportation and Communications as it concerns winter maintenance operations. This is a particularly difficult area of concern in Newfoundland.

Snow clearing is carried out as a direct service of the Department of Transportation and Communications not only on provincial highways but also on local roads in unincorporated areas and in community council areas. As we have indicated in Chapter 8, road grants in these areas are also higher than in municipalities, creating considerable disparities and in some instances, acting against the incorporation of municipalities. Snow clearance of local roads can only be carried out efficiently at the community level if the community is of sufficient size and has sufficient road length to warrant the purchase of the necessary equipment. In all other communities, whether incorporated municipalities or not, it is economically desirable for provincial authorities to undertake this work.

Since there is a particularly neetlesome range of problems in the relations of municipalities with the Department of Transportation and Communications, we include here the formal guidelines adopted by the government late in 1971 respecting winter maintenance operations.

"1. The Department of Highways, (now Transportation and Communications) assumes full responsibility for -

   (a) Snow Clearing and Ice Control on all highways, with priority given to School bus routes and School Bus turnarounds, main highways, and secondary highways, in that order.

   (b) Snow Clearing on roads or driveways leading to Schools located outside of Cities, Towns, Local Improvement Districts, and Rural Districts.

   (c) Snow Clearing, but not Ice Control, on all public roads, on which there are at least two dwellings, in Local Road Board and Community Council areas.

   (d) Snow Clearing, but not Ice Control, on all roads or streets on which there are at least two dwellings, in newly incorporated areas, other than Community Council areas, for the first winter following the incorporation.

   (e) Snow Clearing on roads or driveways from the Provincial highway system to Cottage Hospitals irrespective as to whether or not the Cottage Hospital is located within the boundaries of an incorporated area.

   (f) Snow Clearing of roads to cemeteries, outside of Cities, Towns, Local Improvement Districts, and Rural Districts, when interment is to be made.

   (g) Snow Clearing of roads in Provincial Parks on request from Park authorities.

2. Under no circumstances will the Department clear snow from private roads or driveways.

3. The Department will not plow roads to Post Offices where the land or road is private.
4. The Department will not hire its equipment to Service Stations or other commercial establishments.
5. The Department will hire its equipment, when it is available, at the rate of $16.00 per hour to -
   (a) Churches or Schools located within Community Council areas or outside other incorporated areas;
   (b) Crown Corporations, Federal or Provincial Government Departments, Town Councils, Local Improvement Districts, and Rural Districts. Under no condition can the equipment when so hired be used to clear service stations, commercial establishments or private parking areas (other than those authorized by (a) above.)
6. Along roads which are designated as Local Roads or roads in incorporated areas the Department does not assume responsibility for damage to fences, etc., by snow plows because of narrow rights-of-way.
7. The Department does not plow driveways leading to the garage of a School Bus operator nor does it plow overnight parking spaces for School Bus operators.
8. The Department does not plow driveways or other areas to Doctors' or Nurses' residences. However, upon receipt of Work Orders from the Department of Public Works, the Department will plow for their account driveways leading to Trade Schools, Clinics, Doctors' and Nurses' Residences.
9. The Department does not remove snow piles created by plowing which block the entrances to private driveways or pathways leading to private residences. Neither can the Department accede to requests that snow plow operators lift their plows when passing any particular private residence, driveway, or entrance to commercial establishments.
10. Preferential rates of hire do not apply to the hire of snow clearing equipment.
11. Where insufficient Departmental equipment is available to cope with winter conditions, District Directors have authority to engage privately owned equipment as required.
12. Sub-development roads through areas developed by private enterprises are not plowed by the Department other than where the residences pay the cost of hire. However, where the sub-development areas form Local Road Boards, then the roads are plowed under the policy as applying to local roads.
13. Where regulations permit the hire of Departmental snow clearing equipment, the rate of hire for all types of equipment will be $16.00 per hour.
    Where privately owned equipment is engaged by the Department for snow clearing purposes, this equipment will be hired to Councils for snow clearing on their account at the rate paid by the Department.
    Rates of hire for privately owned equipment for snow clearing purposes will be as outlined in the Chief Highway Engineer's letter of October 31st, 1968.

14. Main Depots are to be staffed 24 hours per day during the winter season. In addition to giving information to the general public, the night and weekend men will also act as dispatchers in calling out operators to attend to emergencies. On weekends they will obtain all necessary information from the various snow clearing stations, foremen, and Asst. Supts. in their Districts and transmit the information to the various Radio and T.V. outlets in their districts. On weekends Districts 2, 3, and 4 will make their daily reports on road conditions to the Roads Depot, White Hills, where the weekend staff will compile this information into a report and telephone it to the various Radio and T.V. stations. During the normal work week Daily Reports will be made to Head Office. Districts 3 and 4 may release their Daily Reports, on behalf of the Minister of Highways, to the News Media in their areas.
15. Salt only to be used for ice control on paved roads. A mixture of salt and sand to be used for ice control on gravel roads.
16. The Department will not supply sand or salt to Town Councils, Local Improvement Districts or Rural Districts.
17. In respect to plowing narrow roads, which do not have a designated right-of-way, the practice will be that where it is apparent to the operator that he cannot operate the plow without causing damage to fences of other private property he will cease his operation temporarily and report the condition or problem to his supervisor.

    The District Director, or his Supt. of Operations, or the Asst. Supt. for the area will then contact the property owners concerned to decide whether they will agree to (a) replace any damages themselves; or (b) permit the Department to undertake the replacement, of any fences damaged, further back from road centre than the existing fence at some reasonable distance to be agreed to by the property owner and the District representative."

The Commission draws attention to the fact that it received many complaints in respect of items 1 (c), 5, 10, 13, and 16 in the above list. Accordingly, we have recommended in Chapter 5 that these guidelines be thoroughly reviewed as soon as may be practicable.

Finally, other important matters in local government affairs fall under the purview of the Auditor-General, the Health Inspection Division (Department of Health), the Solid Waste Disposal Programme (Department of Provincial Affairs and Environment), and the Northern Labrador Services Division (Department of Rehabilitation and Recreation).

3. **Representations Received by the Commission**

(a) *Newfoundland and Labrador Federation of Labour*

Threaded through much of the criticism of centralization in local government affairs heard by the Commission was the traditional "outport" attitude toward the capital city, St. John's. We cite below an excerpt from the brief presented by the Newfoundland and Labrador Federation of Labour:

> "The Federation believes that Newfoundland is organized according to a very much outdated imperial system. The imperial headquarters have been transferred from London to St. John's, but in 'the provinces (i.e., the rest of Newfoundland and Labrador)' nothing much has changed. Thus we have the anomaly of the provincial government supporting the St. John's fire department and the constabulary (what an archaic and colonial designation for a police department!), but in the rest of the province policing the local scene is the responsibility of the municipality. We don't want provincial police watching over our homes and neighbourhoods, but we would appreciate the same consideration as St. John's when it comes to footing the bill. (It should be mentioned that part of everybody's provincial taxes goes to help pay for the constabulary in the provincial capital.)"
>
> (*Federation's Brief*, p. 18)

(The Commission has earlier noted that the allegation contained in the last two sentences is completely unfounded in fact. Since 1970, indeed, the emphasis in provincial support has shifted dramatically away from the cities to the non-city components of the municipal system (See Tables 6-4 and 6-5). We cite the Federation's Brief in this context more for the basic attitude it portrays than for its evaluation of existing municipal support patterns.)

(b) *Town Mayor*

One mayor who appeared before the Commission adopted the extreme position that little real improvement in provincial-municipal relations was even possible. He argued that it was virtually impossible for persons not resident in a community to understand and to appreciate, let alone to do anything positive about, local needs and problems. A portion of his presentation on this fundamental issue is as follows:

> "I would question the competence of people in Government to deal with municipalities, particularly small municipalities. What do they know about the way of life, the needs, the demands and problems of small community life? What do they know about operating a community . . . (here) . . . or anywhere else? They have to get out into the field and learn these things. Possibly regional offices are the answer. But I do know that people in the Confederation Building do not realize, cannot identify the problems of our small communities and in some instances do not give two hoots. We are dollar signs and statistics to them. A great many think that Newfoundland ends at the overpass or outside the boundaries of a large centre or municipality and, far too many of them are not from Newfoundland and think that they are experts in community life. Probably they are academically, but certainly not from a practical point of view. Is the Commission going to identify and really appreciate our community life, its advantages and its disadvantages? Are these things easily communicated to you by people like myself? I would say not, you have to be there to feel it, to know it, to identify it and to do something about it."

(c) *General Comment*

Apart from the more basic attitudes suggested by the foregoing submissions, most representatives directed our attention to the following specific areas of concern in provincial-municipal relations.

(a) poor communications with the Department of Municipal Affairs and Housing; no effective information service;

(b) ineffective organization of the department;

(c) inadequate staff available to the department and a lack of recognition of its importance in the framework of provincial government;

(d) inter-departmental conflicts or defective liaison arrangements that produce delays in administrative action; generally a lack of coordination of inter-unit transactions;

(e) the impact of isolation and distance, particularly in the case of Labrador municipalities;

(f) poor liaison at the municipal level with departmental officials; generally an inadequate field staff;

(g) a difficulty in establishing contact in St. John's with ministers and senior officials of departments other than Municipal Affairs and Housing; particular problems with Department of Justice and Transportation and Communications; and

(h) an ineffective role performed by the Newfoundland and Labrador Federation of Municipalities.

In the last instance, however, the Commission understands that steps have recently been undertaken to improve the process of communication between the Federation and the Government of Newfoundland.

We present below a selection of the many comments received which bear upon these specific problems:

(i) *Poor Communications (A very general complaint)*

(1) **"The provincial bureaucracy is a jungle; anyone coming in is regarded as a 'dumb wild man'."** ***(Commission's Proceedings)***

(2) **"There is a wide variation in the efficiency of operations of municipal government in our Province. In attempting to define some of the difficulties which in our opinion many of the municipalities have been encountering over the years, we find that the lack of communication between the Department of Municipal Affairs and the community representatives is of high importance. We know of occasions in the past when we have been misunderstood simply because of breakdown in communications, despite our proximity to the seat of Government. We can appreciate the tremendous handicaps experienced by many of the communities which are geographically removed from Government Officials.**

It appears to us that many municipalities do not see municipal officials except in a crisis. This is not a reflection on the calibre and competence of the officials involved but simply an indication of the tremendous workload placed upon these officials by the many and rapidly growing communities."

(Chairman of a Board of Trustees)

(3) "Every Act of an elected Council, and particularly expenditures made by a Council, is executed with the prior approval of the Minister.

The approval of the Annual Budget covers the monetary aspect while changes in bye-laws and administrative problems are dealt with as they arise by application to the Minister.

Letters are written to a Minister outlining a particular problem, and normally such a letter is recorded in the Minutes. Until the problem is resolved, it will remain as a recurring question at Council Meetings as Unfinished Business.

All too frequently letters are not formally acknowledged by the Minister, and after months pass, Councillors become exasperated and remarks are picked up by the News Media, ever present at Council meetings, to the embarrassment of everyone involved.

A Minister cannot reasonably be expected to grant a request or appoint a Committee of Enquiry at short notice, but a formal acknowledgement that the letter has been received should be made.

This raises the question of Assistants to Ministers. A basic knowledge of business procedures should be as routine as it is elementary.

Alternatively, if internal organization dictates that Deputy Ministers should acknowledge correspondence and applications from Municipalities, then doubt arises within Councils that the departmental duties and responsibilities are clearly defined.

Credence is lent to this when phone calls are made by a Town Clerk enquiring if a letter or application has been received within the Department and senior officers reply that they either haven't seen it, or that the Minister may have it, or that they will see it if they can locate it.

After six months?" (Town Mayor)

(ii) *Ineffective Organization of the Department*

(1) "The general form of operation and staffing of the Department has not changed sufficiently to meet the challenge of the great increase in Local Government. A study should be made of the Department as it exists and, in particular, if Regional Government is implemented." (Chairman, Board of Trustees)

(2) "With the number of incorporated areas in the Province rapidly approaching 300, it is obvious that the Department cannot adequately administer to so many Local Government Units from the Confederation Building in St. John's.

Regional Offices must be established within easy access of all Municipalities, staffed by competent personnel who can insure that Councils avoid many of the pitfalls which have been experienced in the past and by periodic inspections to insure that each Municipality is wisely and carefully administered.

These regional offices should be a miniature replica of the Department of Municipal Affairs, containing:-

(a) Administrative Officer
(b) Planning Officer

(c) Engineer
(d) Assessor

The *Administrative Officer* should be well versed in the correct administrative procedures to be followed in a Municipal Corporation and extremely knowledgeable in Municipal Accounting procedures and practices.

Essentially he should be an individual who would retain the respect and confidence of the Municipal Councils within his jurisdiction.

The *Planning Officer* would provide the necessary expertise to Councils to ensure that Municipalities develop and expand in an orderly manner and in conformity with a proper plan including adequate Zoning Laws and building regulations.

The *Engineer* would obviously be available to provide the necessary advice and assistance on essential services in the Municipality and to ensure that adequate standards are followed.

The *Assessor* would be a key member of the team in Municipalities where a Property tax is imposed.

The Assessment Division in the Department is, by its own admission, inadequate to meet the needs of our Municipalities.

New properties as they are constructed and extensive renovations to existing properties if they are not appraised immediately they are completed, represent a substantial loss in revenue to the Municipality concerned." (Town Manager)

(3) "The Department's offices should be decentralized, and one located on the Burin Peninsula."

(Commission's Proceedings)

(iii) *Inadequate Departmental Staff*

(1) "Additional staff is needed in Municipal Affairs. We feel there have been very few additions in comparison to the increase in the number of Towns which have been incorporated. To provide some of the services which are required that are not already provided and to speed up delays which presently exist, there is dire need for more emphasis to be placed on the Department." (Town Brief)

(2) "We feel that the Municipal Affairs staff at both the service and the planning levels should be upgraded by way of increased numbers to be available to work with communities. The development of town plans for instance is so slow under the present Department that it takes more than the life of a council to effect one. Also, we think that adequate service and advice and the handling of business in an expeditious manner could prevent many of the unsalutory problems from arising."

(Town Mayor)

(3) "There is a lack of qualified people in the Department of Municipal Affairs: e.g., it should have its own legal advisor; the Department of Justice is too slow."

(Commission's proceedings)

(4) "Engineers should be made available to advise municipalities with the Provincial Government paying their expenses."

(Commission's Proceedings)

(5) "The Province should provide more municipal engineers and surveyors to assist communities on a short term basic."

(Commission's Proceedings)

(6) "Much of the fault lies with the lack of available expertise in the Department of Municipal Affairs. We feel the Engineering Division is not providing the technical service necessary to cope with the demands from the many councils, and even with consulting engineering firms councils are experiencing many delays in getting work done and it becomes very frustrating and annoying."

(A Regional Association)

(iv) *Interdepartmental Liaison Problems*

(1) "Our Board of Trustees has been trying for years to get government to proclaim an act whereby we can control snowmobiles within our town. We had to write the Department of Municipal Affairs, and they in turn had to consult the Department of Mines, Minerals and Resources. Thus, when the announcement was made that something was being done, it stated that snowmobiles were not allowed into the interior of the Province. So you can see that one Department does not know the problems of the other. We still do not have any regulations covering snowmobiles."

(District Manager)

(2) "We feel that there should be a closer liaison between Municipal Affairs and all other government departments and Labrador than we now have. Communication with Government, and trying to make Government realize our problems, sometimes becomes quite an ordeal because of the apparent lack of interest and responsibility for the residents of Labrador. One item that bears out the above problem is that there is no doubt in the minds of our residents that we have a motorized toboggan menace, and yet in four years of pleading we are not yet in a position where we have authority to control the operation of snow carts within our boundaries."

(Chairman, Board of Trustees)

(3) "There appears to be an overlapping of duties between the Department of Rural Development and the Department of Municipal Affairs. Municipal Affairs has more places to supervise and more detailed work while rural development has more fieldmen for a smaller field of interest. If these two divisions were combined, it would improve the service and eliminate conflicts between the departments. What is rural development if not municipal affairs?"

(Town Brief)

(v) *Isolation and Distance*

(1) "Communications has been one way with few departments visiting here and developing a feeling for our unique needs. There has been a constant difficulty in seeing Ministers during trips to St. John's. Close contact with St. John's is hindered by distance and high travel costs. There has not been enough

communication with the Department of Justice regarding legal interpretations of Municipal concerns; example — Property and Vehicle taxes. Department of Municipal Affairs is overworked and overcentralized. It should be restructured and broken down with closer ties to the Regional level."

(Town Brief)

(2) "I have been with the Town of ..... for five (5) years and have not yet seen a municipal official from the Municipal Affairs Department, and I am certain there are clerks on the Labrador Coast who do not know where the Municipal Affairs Office is located. If you call the Department of Municipal Affairs for the services of a town planner, you are advised that 'we don't have enough to go around'. Thus, you wait your turn, be it three or even five years." (Town Manager)

(vi) *Local Liaison Problems*

(1) "All projects involving Federal and/or Provincial aid should be channelled through council." (Town Brief)

(2) "Government officials visiting any Council area where projects of any kind are in progress (or being contemplated) should, by common courtesy, notify Councils of such visits. In other words, Councils should be fully informed as to what is going on at all times." (Town Brief)

(d) *Liaison and Consultative Role of the Federation of Municipalities*

(1) "It is recommended that means be devised to legitimate a municipal voice in Provincial and Federal-Provincial deliberations on policies which will affect municipal operation(s). It is further recommended that the Federation of Municipalities be considered as the vehicle for municipal input in these policy deliberations. In this matter we regard the establishment of Provincial-Municipal Liaison Committees in Ontario and New Brunswick as useful sources of reference for experience with such committees over the past two or three years, and recommend that a similar approach be considered for the Province of Newfoundland. The purpose of this liaison Committee would be as follows: To meet, on a regular basis, to discuss the development of governmental policies and priorities as they may affect municipalities generally and to review, where deemed advisable the effect of various programs of municipal development as implemented from time to time. Such meetings to be conducted privately with no press reports, but rather to be looked upon as being exploratory in nature and affording an opportunity for municipal opinion to be directly brought to bear on the formation of Provincial negotiations which affect municipalities." *(Federation's Brief)*

4. Outstanding Issues in Provincial-Municipal Relations, 1972-1974

During the course of its inquiry the Commission has undertaken an analysis of all patterns of controversy and conflict, as well as of cooperation, between the Province and its municipalities. Disagreement and argument, of course, receive prominence in the media. The broad underlying foundation of mutual help and accommodation, often in the face of trying circumstances, tends always to be taken for granted.

A major dispute between the Department and the Town Council of Gander in 1973 resulted in ministerial intervention, the resignation of the council, the appointment of an interim council, and the holding of a separate election. The issue turned on two related questions: (1) Whether federal defence employees were legally liable under *The Local Government Act* for town service fee payments; and (2) Whether if they were not so liable, they were properly qualified to sit as elected councillors, in view of section 10 (c) of the *Act* which stipulates that: "10. (Any person is qualified to be elected as a councillor who). . . .

> (c) is a person liable for real property tax or the municipal service fee in the municipality, or is the husband or wife of such person . . ."

Prior to the dispute in question having arisen, the town had launched a prosecution in magistrate's court against the base commander for non-payment of the $20.00 town service fee. The magistrate's ruling was that the commander was not liable for the service fee by virtue of the Government of Canada's annual payment to the town of a grant in lieu of all local taxes. The town council then apparently assumed that one of its members, who was a member of the armed services, was not liable for service fee payments and for that reason was not qualified as a councillor. It attempted to declare his seat vacant. Ministerial action followed, the council resigned, and new elections were ordered.

Since the Commission was unable to obtain any representations on this question from participants at the local level, it has not attempted to deal with the issue in any technical sense. There is little doubt, however, that before its resignation the council did make attempts to secure an amendment to *The Local Government Act*. These attempts were rejected by the Minister. A set of similar questions has arisen more recently in Happy Valley.

Threats of resignation or actual resignation of councils, however, as a result of differences with the department, have been very rare since 1972. Apart from the Gander case, the incidents in question involved only Bonavista, Upper Island Cove, Rose Blanche and St. George's. There have been a number of resignations for a variety of other reasons in the following communities: Norris Arm, Gaultois, Harbour Breton and the new South Shore rural district (Benoit's Cove). Departmental intervention has been required in Windsor (outstanding tax issue), Sandringham (chairman removed by order), Arnold's Cove (removal of board of trustees) and Southern Harbour. The normal election in Stephenville was delayed as a prelude to decisions on the Stephenville-Harmon areas.

Various forms of difficulty have developed with councils on a broad range of local issues or problems, many but not all of them dealing with service and financing matters. Mount Pearl's council, for instance, sought and was refused permission to remunerate its members. There were skirmishes of moderate intensity in the following communities relating to specific issues:

1. Criticism of town's administrative practices by the Auditor-General (Gander)
2. Cost-sharing of municipal swimming pool (Mount Pearl)
3. Access to snow-clearing equipment (Belleoram)

4. Trans-Canada highway link to community (Buchans)
5. Delay of construction: stadium (Windsor)
6. Plan amendment and shopping-centre development (Corner Brook)
7. Water and Sewerage development (Catalina)
8. Arts Centre Plan (Stephenville)
9. Resignation of Fire Brigade (Embree)
10. Rent increase in Harmon Corporation's properties (Harmon)
11. Resignation of the Town Manager (Stephenville)
12. Labour dispute (Clarenville)
13. Financial crisis (Main Brook)
14. Department "preventing worthwhile town development" (Pasadena)
15. Dismissal of finance committee chairman (Windsor)
16. Conflict in council (Victoria)
17. Taxation of Liquor Store (Grand Bank)
18. City "work tax plan" (Corner Brook)
19. Management of the fire department (Corner Brook)
20. Water quality and water rate reduction (Happy Valley)
21. Vehicle tax and armed services personnel (Happy Valley)
22. Amalgamation of Stephenville and Harmon
23. Amalgamation of Happy Valley-Goose Bay
24. Kilbride water system (St. John's Metropolitan Area Board)
25. Urban Development Problems (St. John's)
26. Financial problems (Wabana)
27. Utility development (Bay Roberts)

On the other hand, as we have suggested on various occasions in this report, a substantial number of service problems were resolved and a great many important projects undertaken successfully. It has not been all confusion, irritation confrontation and conflict.

5. Conclusions and Recommendations

(a) *Development Goals and Requirements*

As a conclusion to this extended inquiry into the nature of local self-government in Newfoundland, the Commission directs its attention to the primary characteristics of provincial-municipal relations. We wish initially to emphasize the sharp contrasts that exist between the federal-provincial and the provincial-municipal relationship. *Legally*, the former relationship is grounded upon constitutional law; the latter relationship, as we have seen, is based exclusively upon statutory law. Secondly, from a *hierarchical* standpoint, the federal-provincial relationship confronts equals with equals, whereas, in the provincial-municipal area, the relationship involves one superior and many subordinate authorities. Third, from a *structural* standpoint, the federal-provincial relationship is one of relative simplicity, involving as it does the national government and a single set of ten provincial governments, all of whom possess a comprehensive jurisdiction both constitutionally and functionally with respect to their territories. The provincial-municipal relationship, on the other hand, is one of structural complexity in which the Province confronts not a small number of functionally comprehensive local governments, but an array of local authorities with differing powers and extremely variable characteristics of population, size, area, leve of development, service need, fiscal capacity and local leadership resources.

The provincial-municipal relationship is much less complex in Newfoundland, however, than it is in most other provinces. For one thing, the functions assigned to our municipal units are confined to services that are specific to place and property. Having been assigned no major responsibilities in areas such as health, welfare, education, the administration of justice or transportation, they are not required to become deeply involved with the Province in complex intergovernmental conditional grant systems. We have suggested in the previous chapter that this limited functional role of municipalities should be essentially retained in the future, with the exception of a small number of additional activities to be assigned to regional authorities. Secondly, our municipal structure is comparatively simple in design: there are as yet no regional authorities nor any metropolitan federations. And with the exception of the St. John's Metropolitan Area Board, there are virtually no special-purpose commissions or agencies which in other jurisdictions have assumed a central and wholly distorting influence on the institutional environment of municipal life. Since the absence of these special-purpose bodies constitutes a major advantage, this aspect of Newfoundland's municipal structure should clearly be retained in the future. It is thus the Commission's view that institutional development in municipal affairs should be confined exclusively to adjustments in the boundaries and structures of existing local authorities and to the staged introduction of regions in a manner recommended earlier.

It should perhaps be indicated at this point that the legal fact of municipal subordination should not blind us to the realities of the political process. The establishment of any municipal government involves a division of *power*. In most provinces or states where local institutions have existed for a long period, and where they have come to be regarded as legitimate by the population at large, this division of power conforms to mass political values that traditionally accorded a strong priority to "grass-roots" democracy and to local self-determination and taxation. When this division of power is value-based, and when people in large numbers believe in the practice of decentralization, local authorities and leaders develop a practical autonomy and a political strength that is often quite at variance with their subordinate status in a strict legal sense. It is the Commission's conclusion that these values are quite strong at the local level in Newfoundland, but have not yet attached themselves fully to municipal institutions and to local taxation as the instruments of practical decentralization. For many, the Province rather than the municipality continues to be seen as the source of benefits. But there is little doubt that this transfer process, particularly among citizens in the developed category of municipalities, will continue in the future. Yet the prevalence of attitudes and values that constitute in practice a repudiation of the decentralization value cannot be denied. From time to time, as well, the vestigial historical pattern in actual behaviour comes to public attention. We cite below a recent insertion in a local newspaper by a member of the House of Assembly:

Notice

> "Mr. . . . . ., member for . . . . ., today announced that he has been informed by the Minister of Municipal Affairs and Housing that financing in the amount of $640,000 has been approved by the Government for the Town Council of . . . . . . Of this amount, $200,000 is for street reconstruction and paving, and $440,000 for extension to the water and sewerage system. It is hoped that the necessary engineering work can be completed shortly and construction can commence early this summer."
>
> (St. John's Evening Telegram, June 14, 15, 1974.)

(This notice would not have appeared in any province outside of Newfoundland. It is not the practice in other jurisdictions, as we noted in Chapter 8, for senior governments to make capital grants for local road purposes. At best, the provinces guarantee the local debenture or bank borrowings needed for such municipal projects. The town in question is one of the oldest in the Province with a long tradition of strong local self-government. The tax effort of its citizens we have found to be one of the highest, even though its 1971 level of personal income was barely at the sample's average. The Province's assistance in respect of road work requires a 50 per cent local contribution, and the interim bank loan for utility extensions will ultimately be debentured and repaid in goodly part through local taxation, probably over a forty-year period. Significantly none of these latter details are included in the notice.)

Since local authorities are legal creatures of the Province and occupy a subordinate status in provincial-municipal relations, it follows that the Province has a *primary* responsibility for their proper design and functioning. Provincial participation in local government finance, moreover, has reached levels where the provincial public interest now dictates a degree of central management participation in local affairs which could not perhaps be justified even a decade ago. It has been the Commission's task throughout this report to devise proposals through which, in the future, the exercise of these essential central management responsibilities will encourage, not frustrate, the development of a spirit of local autonomy, and promote rather than diminish, the assumption of greater local responsibility and self-reliance in community affairs, including a much greater local financial participation than in the past.

In the emerging circumstances of local life in Newfoundland, the Commission also believes that a strong core of provincial control must be maintained. But it also believes and has recommended that many of the existing patterns of detailed municipal supervision should now be relaxed. The purpose of those recommendations is to encourage the assumption of greater responsibility at the local level within a framework of general provincial supervision applicable to all municipal units. The exercise of cabinet and ministerial discretion, we are unanimously agreed, ought to be confined *exclusively* to matters of strategic detail. At the same time, the Commission has specified a great many requirements which look toward a much more active provincial presence in local affairs, particularly in respect of institutional adjustments and of providing a much broader range of legal, financial, technical, administrative and consultative services to local councils and their staff personnel.

Accordingly, it sees no necessary conflict whatever between a redirected provincial leadership and service delivery role on the one hand, and a strengthening of local autonomy and self-reliance on the other. The nature of the changed provincial leadership role, however, should be clearly understood.

In effect, we recommend that during the second phase of municipal growth in Newfoundland, the traditional tutelage pattern should gradually be replaced by a relational scheme more appropriate to that of a fully developed municipal system. The forms and atmosphere of inter-government affairs should progressively assume a more normal, "arm's-length" character akin to those which have evolved over the years between the government and the City of St. John's. The Commission believes that such a change is particularly required in the interest of the developed category of municipalities identified in previous chapters. The customary pattern of dependency on the part of a large number of smaller units will be more difficult to terminate, at least until the proposed regional units are established and operating. But this latter condition, we believe, should not be permitted to become a justification for delay in the adoption of the reforms herein proposed. Merely because a great many of our recently established municipalities are too small and lack the needed resources to function effectively and with the autonomy of proper local authorities should be no reason for retaining the traditional model of inter-governmental relations. Moreover, some of these newer units will in time emerge as developed municipalities capable of self-reliant activity in pursuit of their community objectives. The recommended structural changes proposed in this report should facilitate the needed transition in such cases and also foster an increased strength in the already well-developed municipal units of the Province.

From the standpoint of the government, on the other hand, the first requirement should become increasingly one of ensuring that municipalities are properly structured in relation to their functional needs, and that regional municipal authorities are introduced and strongly supported during their early years of operation. As we have suggested, the implications of these proposed roles will require major changes in the legislative procedures respecting incorporations and local boundary adjustments. And while we think that these central management functions should be undertaken in a responsible manner, with due regard for local participation and consultation as specified earlier, we do not believe that the transitionally permissive norms requiring local-options and plebiscites should any longer legally constrain the Province's freedom to operate in this primary sector.

The second main requirement inherent in the reform proposals contained in this report is that the Province should immediately develop a proper service support structure on behalf of its municipalities. The discretionary element in inter-governmental fiscal relations should be reduced to an absolute minimum and the vestiges of conventional and unnecessary centralization should be ended. In lieu of these negative and often counter-productive relational patterns there should be introduced systems of local operating, budgeting and reporting that are more clearly structured, and more certain in their requirements so far as both municipal leaders and provincial officials are concerned. But the Commission is fully aware that the formulation, introduction and practical working of these alternative structures will require scarce resources, time, inventive capacity, a local and provincial learning process, and a good deal of initial monitoring and longer-term support.

We do not deem it necessary to provide any detailed commentary on the present budgetary constraints within which the Department of Municipal Affairs and Housing must operate. We have adequate evidence that the resources now allocated in support of local government administration, and of the department's main and extremely limited service functions, are wholly insufficient in relation to current needs. (It is almost incredible, for instance, that upwards of 50 capital projects in any given year amounting to some $25 million, and involving complex interactions among municipalities, banks, contractors and often federal authorities are the exclusive responsibility of only three staff engineers.) But we are also conscious of the fact that implementation of the reform proposals contained in this report will in relatively few years demand nothing short of a fundamental revision of Newfoundland's existing municipal structure and a complete alteration of present patterns of provincial municipal relations. As an indication of the scope of the essential task confronting our provincial and municipal leaders, we summarize below the main recommendations made in previous chapters:

- Improvements in land use policy and in crown land administration.
- Development of a provincial water use policy.
- Prior to the introduction of regions, the development of regional utility facilities where required.
- Review of existing rules involving relations between municipalities and the Department of Transportation and Communications.
- Development of regional police services.
- Authorization of larger towns to employ local police officers with the full authority of peace officers.
- Policy development respecting fire services and training programmes.
- Regional decentralization of certain planning and development control functions when regional authorities are established.
- Restructuring zoning appeal boards after regions are established.
- Establishment of regional planning funds.
- Revised procedure for plan adoptions.
- Use of real property taxation in all "developed" municipalities.
- Reform and development of the assessment system.
- Staged reduction of real property tax exemptions.
- Extended use of local improvement assessments.
- New assessment appeal procedures.
- Abolition of fuel, vehicle, stock and other "nuisance" levies.
- A re-designed supplementary business tax.
- Recommended changes in tax collection methods.
- New approach to taxation of investor-owned utility companies.
- Changed provincial policy in respect of grants in lieu of taxes.

- Introduction of a general municipal assistance grant.
- Introduction of a municipal tax incentive grant.
- Development of new procedures respecting capital project grants.
- Proposed alteration in the basic framework of municipal law.
- New procedures respecting incorporations and boundary alterations.
- Abolition of most local improvement districts.
- Revised formula for the remuneration of councillors.
- Introduction of recruitment and staff training programmes.
- Introduction of a universal municipal staff pension system.
- Adoption of a regional metropolitan form of government in the St. John's area.
- Progressive, sequential introduction of regional municipal authorities outside of Labrador.
- Reorganization of the Department of Municipal Affairs and Housing.
- Appointment of auditors to vest in municipal councils.
- Reduction in supervisory powers of Minister and, in some instances, of the Lieutenant-Governor in Council. (19 specifications)
- Introduction of a new budgetary process.

(b) *Department of Municipal Affairs and Housing*

In view of the need for reform on the scale proposed, it is obvious that an entirely new Department of Municipal Affairs is required. Its detailed administrative structure, however, we do not intend to propose in this report. But some indication of the nature of that structure can be inferred from the following minimum functional specifications recommended as a consequence of this investigation.

(i) *Management Staff Support Function*

Provincial leadership in the future development of local government will clearly require a technical foundation for policy formulation which has not been used in the past. Any adequate decision-making structure in respect of municipal affairs will thus demand a permanent technical staff support group capable of developing the needed research potential in relation to local service standards and needs, problems of municipal structure and boundary adjustments, and municipal fiscal arrangements. (The Commission does not recommend the establishment of a formal Local Government Boundary Commission). This group should be assigned responsibility for designing and introducing a computer-based management information system along the lines recommended in Chapter 5. It should have a responsibility to programme and commission all the needed studies or technical investigations required in advance of ministerial or governmental decisions. Its members should include some senior line officials as well as officers of the Cabinet's Planning and Priorities Committee Secretariat.

(ii) *Regional Planning and Implementation Function*

This function is a consequence of the Commission's numerous propsals relating to the introduction of regional municipal authorities in the Province. It represents an entirely new administrative requirement and is of the greatest importance for the future of local government. Officials who are assigned responsibility for this function would be expected to engage in the following activities:

(a) advising on the geographic areas suitable for introducing regional local authorities in a staged, sequential manner as prescribed in Chapter 13;

(b) programming all studies needed as a prelude to the establishment of regions and ensuring their distribution to all interests concerned;

(c) superintending the conduct of local consultations and the work of the regional commissioners;

(d) providing the necessary liaison role in connection with all units and departments to be involved in different aspects of regional development, particularly Justice, Education, the Organization and Management Division (Treasury Board Secretariat) and the other units specified above;

(e) co-ordinating all services to be supplied by the department to regional authorities.

(iii) *Departmental Service Functions*

This should be a functional area of considerable growth in the immediate future. The following new activities are specified:

(a) A new departmental information service to prepare and distribute systematically the manuals, memoranda, model regulations, procedures and guide-lines recommended in various chapters. This function should also extend to the bi-monthly publication of a departmental newsletter to be distributed regularly to all municipal councillors and staff.

(b) A new municipal staff recruitment and training service to assume responsibility for the recruitment and training programmes outlined in chapter 12. These functions would require liaison with Memorial University, the College of Trades and Technology and the Institute of Public Affairs at Dalhousie University. They would also include responsibility for ensuring proper delivery of the services, for participation in the annual evaluations of the programmes, and for their integration with the Province's general staff training and development schemes.

(c) A new general administrative support service to be delivered through the department's regional field offices. Such a support programme would focus strongly on budgetary and fiscal assistance, but extend as well to legal, systems-design and data processing, planning and engineering assistance.

The existing central staff functions in respect of planning and engineering should, of course, be retained and substantially strengthened. Much less dependence upon external consultants is desirable. The development control function should continue until fully displaced operationally by regional authorities.

The Commission does not wish its emphasis upon provincial service programmes for municipalities to be misinterpreted. The delivery of these necessary services must under no circumstance become an umbrella under which the traditional dependency and tutelage patterns are perpetuated under a different, more acceptable "public service" guise. Our basic intention has been to recommend reforms that ought to promote a greater measure of local independence and self-reliance on the part of municipal councillors and their staffs. These reforms will only become practicable, we believe, in the context of a much extended range of services to municipalities. (We recommend, therefore, that when the new *Municipalities Act* is drafted the term "municipal inspector(s)" should be replaced by the term "municipal service officer(s)". Although it is proposed for symbolic reasons, this change is indicative of the real departure intended.) But the delivery of those services should not come to displace the practice of local self-government. The power to make decisions, in short, must in practice be retained fully by local councils and staffs and not come to be assumed in fact by provincial service officers. Nor do we intend to suggest that all services should be supplied free-of-charge. We see every reason why certain technical services, for instance, should be made available at cost to the municipalities needing them. Nor should local authorities come to assume that the Province is the only agency whose services are available. The problems noted in Chapter 12, in connection with the Auditor-General's functions, are a standing example of the negative consequences inherent in this latter respect.

For all of these reasons, considerable care should be devoted to the design and periodic review of these proposed administrative service programmes. As envisaged by the Commission, they should be designed particularly for the very practical needs of the large number of Newfoundland municipalities with populations much too small in the light of today's standards ever to sustain any acceptable level of service efficiency. In addition to the specific recommendations made in earlier chapters, they should include assistance in respect of the following matters:

- **How groups of small communities can join forces for the provision of a common service, and what the exact terms of such service association arrangements should be.**
- **Assistance in establishing effective local accounting systems and maintaining minute books and registers.**
- **The adaptation of the forms and contents of model bye-laws and regulations for local application.**
- **The costs and benefits of supplying service through private contract or by the use of council forces.**
- **Recruitment of key staff personnel (managers, clerks, engineers, solicitors, etc.).**
- **How and under what circumstances to make effective use of consultants.**
- **How to prepare and submit proposals to the Municipal Capital Projects Board.**
- **How to organize local staff and maintain adequate personnel control systems.**
- **How to mobilize volunteer contributions in supplying particular kinds of local services.**
- **How to deal with bank obligations.**

- How to prepare annual budgets and complete the proposed five-year capital project forecasts.
- How and when to establish local commissions or improvement associations.
- How best to use the proceeds of municipal non-tax revenue.
- How to deal with tax delinquents.
- How to select suitable types (but not brands) of equipment for rental or purchase, having due regard for the size and needs of the municipality.
- How to deal with government departments.
- How to conduct council meetings.
- How to deal with the transfer of responsibility to successors (managers, clerks and other local executive officers).
- How to conduct municipal elections.
- How to deal with law enforcement problems.
- How to deal with health inspection matters.
- For units below 5,000, services in relation to utility, recreation and planning projects should be supplied upon demand.
- Major studies in these areas for units above 5,000, however, should be undertaken at cost on behalf of the municipal council.
- How to avail of departmental services in respect of correspondence training, personnel supply, information, assessment, legal, engineering and planning advice.

All of these "how to" services should be available through regional offices of the department and should not normally require visits and telephone calls to St. John's. It should be the policy for municipal service officers to visit each municipality and its staff semi-annually. But it should also be understood clearly that municipalities are themselves expected to exercise their own initiatives in securing advice, and that they are free to accept or reject whatever recommendations are made to them as a consequence of such initiatives.

(iv) *Local Government Supervision Function*

Although its current responsibility for an excessively detailed supervision of municipalities would be somewhat diminished as a consequence of these proposals, the department's function in regard to supervision would remain very important. We propose, moreover, that this function should be completely separated from all service, advisory and other development activities. The responsibility of those officials who are assigned these functions should extend to monitoring municipal operations in the manner prescribed in previous chapters. All official communications, circulars, regulations and directions respecting municipal grants, elections, operations and budget requirements should be dispatched by this supervisory group. It would also receive all statutory or other returns, reports, budgets and official communications required of municipalities. It would, in short, be the normal channel of communication with the Minister on all official municipal business except formal applications or proposals for municipal capital projects. All special inquiries, investigations and other reports required by the Minister in respect of municipal operations should be normally assigned to members of this group. Under the present system the officers who are assigned primary responsibility for municipal supervision spend a good deal of their time providing municipalities with advice and services, much of it on the telephone. This arrangement is most unsatisfactory. In the new departmental structure, therefore, there must be more attention given to the establishment of better patterns of work assignment and a more efficient division of labour achieved. There are additional (and obvious) reasons why supervisory and service functions should in many cases be completely separated.

(v) *Municipal Capital Projects Function*

After considering many alternatives, the Commission has concluded that a Municipal Capital Projects Board is the most suitable instrument for providing the Minister with advice in the matter of requests for municipal capital projects. As recommended in Chapter 12, this body should be under the chairmanship of the Deputy Minister of Municipal Affairs and Housing, and should consist of senior representatives from other main departments involved in municipal development projects. The board should have its own small staff (engineer, planner, financial officer) under the direction of a full-time executive director. The procedures to be followed when municipalities wish to submit proposals to this board should be prescribed by departmental regulation. The deadline for submission of local proposals (for projects to be supported in the ensuing year) should be not later than June 1. The board should ready its decisions in sufficient time to enable the government to consider its recommendations and to communicate its own official decisions formally to all municipalities not later than October 15. The development of this new function in the restructured department is considered to be essential to the inauguration of a reformed budgetary process for Newfoundland's local governments.

(vi) *Municipal Assessment Function*

Since this function is considered to be of central importance in the fiscal proposals made by the Commission, its substantial development requirements were presented in detail in Chapter 7. It will be recalled, however, that our recommendation in this matter was that the assessment function be transferred to the Department of Finance.

Finally, since the Province would under these proposals assume a different leadership role in municipal affairs than it has had in the past, the Commission believes that new patterns of consultation among provincial and municipal leaders will be required. To some degree, an improved consultation process should emerge as a by-product of the advisory and service functions prescribed above. But additional avenues of informal contact between the Federation of Municipalities and the highest administrative and political leaders should also be encouraged. The Ontario and New Brunswick liaison committees, as recommended by the Federation, do provide a useful model in this respect. It is the Commission's understanding that this proposal has already been implemented.

6. General Cost Estimate of Commission's Proposals

Because of the twenty-five year future time frame which had to be accepted by the Commission in consequence of its having adopted the regional development model, it is extremely difficult to provide an accurate estimate of the total cost of the municipal reform programme recommended in this report. Although on various occasions we have suggested possible costs and time periods for implementation, these naturally must remain quite flexible and be tailored by government to conform with its broader framework of priorities for both capital and current budgetary purposes.

Costs associated with the many proposals, however, would be generated across a fairly broad front, as follows: crown land administration, basic land use and water policy (Department of Forestry and Agriculture); possibly highway policy (Department of Transportation and Communications); small costs for additional administrative services (Department of Social Services, Provincial Affairs and Environment, Health, and Recreation and Rehabilitation); and additional small costs involving the two Executive Council Secretariats (Treasury Board and Planning and Priorities). Some additional programme costs are specified for the Department of Justice in connection with the recommendations in the protective sectors. If the proposals regarding real property assessment functions are accepted, a major additional cost would necessarily fall upon the Department of Finance. That department would also have to bear the cost of the municipal pension proposal.

For the Department of Municipal Affairs and Housing, however, and not allowing for either provincial or federal participation in the capital development aspects of the plan, full implementation within three to five years would require an increase in direct departmental overhead and programme costs amounting to an estimated three times the current level. These additional outlays would be needed on behalf of salaries, services and additional operating expenses, including the estimated cost of the regional offices. It may reasonably be anticipated, therefore, that as compared with 1974 these administrative expenditures would increase from some $2 million to nearly $6 million 1978, when estimated in terms of present prices.

Any attempt to project a probable future cost schedule for the various (non-capital) financial support proposals contained in the report must be built upon certain assumptions relating to such matters as:

- when provincial grants in lieu of municipal taxes are inaugurated;
- when the municipal general assistance grant is actually introduced;
- whether the formula upon which this grant is to be based is adopted as herein recommended, or in some modified form which would influence the annual level of its total yield;
- whether the formula for the tax incentive grant is based upon equal dollar matching of real property tax yields, or upon some other principle;
- how rapidly the assessment of real property in all developed municipalities was completed, in order to enable these 60 additional units to qualify for tax incentive payments;

- how soon and in what number municipal regional authorities were established, since they too, like all municipalities, would in the total scheme of things become eligible for certain grants.

It is obviously impossible, in the Commission's view, to project a realistic estimate of these costs through time, given the range of uncertainty inherent in the nature of the above assumptions. In Chapter 8, however, it was shown that if they were operational during 1975, in the formats actually recommended, the two current grants would have required an annual payment to all municipalities of possibly as much as $1 million more than that estimated under the present system for 1974-75. (This estimate, however, does not include the cost to the Province of the proposal respecting grants in lieu of taxation.)

The Commission wishes to emphasize the need for the greatest care in scheduling these proposed financial reforms. The municipal taxation, fiscal assistance and regional elements of this reform plan are related to one another in a reciprocal, interdependent fashion. The abolition of fuel and vehicle taxes, for example, should coincide with the expansion of the real property and business tax bases, and the introduction of a system of provincial grants in lieu of taxes. The introduction of the general grant proposals, on the other hand, should be geared to countervail the losses likely to be incurred in many very small communities now heavily dependent upon fuel taxes and not likely to avail of real property tax base extensions recommended in this report. Finally, since the regional authorities should receive grants in respect of their unincorporated populations, an additional allowance for this cost must be added.

Another major uncertainty arises because of the probable interim payments that will be required in order to deal equitably with the exceptional or distorted municipal budgets upon the introduction of the alternative grant system. And, lastly, since the number, distribution and actual assessed values of provincial government properties are presently unknown, it is impossible to project the cost of grants in lieu of taxes until these properties are discovered, assessed and local tax rates actually imposed.

Even in the absence of accurate projections, however, it seems probable that total current costs on behalf of all the recommended municipal programmes would within five years grow in relative terms by at least 50 per cent as compared with their present levels, should all aspects of the Commission's principal recommendations be implemented with dispatch.

7. General Conclusion

During its eighteen-month search for a development strategy suitable to meet the real needs of Newfoundland's municipalities, the Commission has weighed a very wide range of possible options in relation to the broad public interest. At one extreme, it considered accepting the existing municipal system with only minor modifications. For various reasons made clear in the previous sections, such a strategy could not really be recommended for public consideration.

At the other extreme, the Commission examined an option which would have required the disincorporation of all but sixty of our more developed municipalities. Under that proposal, the Province would assume direct local service responsibility in virtually all of rural Newfoundland's smaller settlements. This latter option would have implied the establishment by the Province of more than a dozen municipal service regions requiring staffs of provincial officials, together with all the physical facilities and resources needed to enable them to conduct local service operations in a comprehensive and efficient manner. In order to finance such a venture, the Province would undoubtedly be forced to impose a province-wide service fee, real property tax (or, as has recently been recommended for Nova Scotia, a business levy) that could be applied universally in order to pay for the needed local service operations. (Such tax instruments could also be used, incidentally, to raise the needed local contributions for school revenue purposes, as is now done in New Brunswick and Prince Edward Island. A similar programme has recently been recommended by Nova Scotia's *Royal Commission on Education, Public Services, and Provincial-Municipal Relations.)* But in view of the prevailing circumstances and requirements, it is the Commission's judgment that pursuit of this development goal would not be appropriate in Newfoundland during the years ahead.

After an examination of other options between these two extremes, the Commission accepted the basic proposals outlined in this report. Under the recommended development plan, all municipalities would continue in existence, although the Province should examine with great care its practice of incorporating communities with populations below 500. And it should in future exercise a greater initiative in respect of municipal amalgamation and consolidation.

Regional municipal authorities should gradually be introduced in a planned sequence, but no *substantial* provincial service responsibility in education, transportation, social assistance or the administration of justice should be delegated to these regions. A programme of financial support on behalf of all municipalities, including the two cities, should replace all existing grants and be provided in accordance with explicit statutory requirements. A new local budget process should replace the existing legal and administrative arrangements relating to financial operations. An expanded and simplified municipal revenue system should be introduced. The model recommended is based upon real property taxation, a supplementary business levy and local service charges to be used in all "developed" municipal units. Finally, the Province should undertake an expanded service function in relation to its municipalities. A new legal framework for local government is also specified.

Because of the magnitude of the tasks inherent in its many proposals, the Commission has not specified a rigid implementation schedule. It has not confined its report, however, to prescribing what should be done in the complex areas of municipal affairs. It has attempted as well to suggest why its recommendations are worthy of consideration, and how, in fact, its many proposals could be applied in practice. Its members are unanimously agreed that the recommended plan of local government reform is both desirable and feasible in relation to Newfoundland's second phase of municipal development. There is no doubt whatever that pursuit of these primary goals is a task of major civic importance.

Statistical Annex A

1. Introduction

In this Annex, the Commission summarizes the results of its primary statistical investigation. Section 2 of the Annex provides the results of a breakdown of sample material in terms of five standard categories: the five types of municipalities in Newfoundland; four local population size groups; the Province's ten census divisions; four density groups; and five income groups. The materials presented in terms of these categories deal with the following matters: (i) municipal revenues raised exclusively from local sources; (ii) the contributions of the Government of Newfoundland to local budgets; (iii) the degree to which municipalities have come to rely upon grants from the Province in their normal fiscal operations; (iv) municipal tax delinquency; and (v) municipal service levels, local tax effort and selected local fiscal indicators.

Section 3 of the Annex is a much longer summary of the Commission's regression (correlation) analysis which was performed on 30 local fiscal variables, seven basic environmental indicators and three primary service measures. From a very comprehensive body of material the Commission has selected only the more significant series and subjected them to four sets of manipulations under the headings (a), (b), (c) and (d). The first regression set (a) includes 180 pair-relationships illustrating the statistical connections among environmental and fiscal variables. The second set (b) includes 359 pair-relationships illustrating the association patterns among the 30 fiscal variables. The third regression set (c) contains 90 pair-relationships involving the service and fiscal series. Set (d) consists of 45 correlations among the service and environmental indicators.

Section 4 of the Annex is a short presentation of a study which subjected the sample material to a form of "factor" analysis in an effort to obtain additional information on its basic statistical properties. This part of the work was also designed to provide a check upon the studies performed in earlier sections. *Section* 5 is the last of the purely analytical elements contained in the Annex. It employs a statistical ranking technique in order to examine systematically the degree of intensity found in taxation activities within some 70 Newfoundland towns during 1971. The degree of fiscal intensity found to exist in these municipalities is then related to their population levels, community income per capita, the level of social assistance payments, local budgetary activities and the levels of various provincial grants received during 1971.

2. Statistical Breakdowns, 1971 Municipal Budget Sample

(a) *The Components of Municipal Total Disposable Revenue Per Capita*

(i) *Local Revenue Sources*

Tables A-1 through A-5 immediately following examine in detail the 13 elements which contribute to overall municipal budgets. Total disposable revenue, as we have seen, includes all local taxes, non tax revenues and all provincial grants. These revenue components are expressed in per capita terms and are broken down in each table according to the standard municipal categories used in this study, namely: (1) unit type, (2) population size group, (3) census division, (4) density group, and (5) per capita income group. (The bracketed figures in the tables indicate the number of municipal units included in each breakdown; this number tends to vary in each horizontal column, since in 1971 some units did not impose particular taxes or did not receive specific grants.)

A glance at Table A-1 indicates that average municipal tax yields per capita are highest in the two cities ($85.17) and lowest in the local government communities ($3.65). Total tax yields in the towns attained a level in 1971 of only $18.66, or only 22 per cent of average city yields. Property tax yields in the towns, ($12.64) on the other hand, are only 31 per cent of those achieved in the cities ($41.26). The very high property tax yields in the two local improvement districts ($55.60) are due to the fact that these units happen to be the two high-income districts of Labrador City and Wabush. Predictably, the per capita business tax yield is significantly higher in cities ($18.39) than in the towns ($2.62). This gap, however, is reduced somewhat in the case of the fuel tax. Per capita water rates in the 42 towns averaged only 67 per cent of equivalent levies in the two city units. Service fees in the 69 towns averaged just under $3.00 per capita, nearly double the city figure. The reason for this difference is that St. John's does not impose its poll tax, whereas Corner Brook does use its service fee, and the per capita ratio is obviously influenced by this variation. Miscellaneous taxes attained twice the level in the cities than they did in the towns. It is a significant commentary on the precarious state of municipal finance in Newfoundland that the average per capita annual tax contribution in all municipal units contained in our 1971 sample (which included nearly 90 per cent of the entire population within incorporated communities), amounted to only $14.68, or to about $75.00 per average family unit. It is important to recognize, however, that these comparisons are based upon unweighted averages. They thus contain figures somewhat below the ratios which emerge when municipal revenues are averaged in terms of the total municipal population.

Table A-2 examines the relationship between per capita tax yields and the size of the municipalities. Most of the observed relationships could in this case be anticipated. Total tax yields tend to be significantly greater in the larger than in the smaller units. That relationship also holds for real property taxes, business taxes and, to a lesser degree, fuel, water charges and miscellaneous levies. It is a significant finding, however, that per capita water rates in the units under 1,000 in size are higher than those in the next higher size group (1,000-2,499). This trend will undoubtedly intensify in the future as higher unit installation costs are encountered in smaller communities under conditions of increased interest rates. As might have been anticipated, per capita service fees attain their highest yields in the smallest communities.

Table A-1: Revenue Yields Per Capita by Municipal Type: 1971 Sample (Municipal Yields Averaged for Each Category)

Municipal Category	Property Tax (21)	Business Tax (69)	Fuel Tax (67)	Service Fee (70)	Water Rate (44)	Other Tax (68)	Total Tax (111)	Non-Tax Revenue (111)	Total Local Revenue (110)	Revenue Plus Road Grant (114)	Water Subsidy (114)	Sub-Total	Special Grant (112)	Total Grant (112)	Total Disposable Revenue
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Cities	41.26 (2)	18.39 (2)	6.10 (2)	1.72 (1)	14.66 (2)	3.91 (2)	85.17 (2)	9.76 (2)	94.93 (2)	6.27 (2)	1.88 (2)	8.15	27.05 (2)	35.21 (2)	130.14
Towns	12.69 (17)	2.62 (67)	2.72 (65)	2.77 (69)	9.89 (42)	1.82 (66)	18.66 (69)	2.74 (69)	21.12 (68)	10.27 (72)	3.56 (72)	27.22	16.95 (70)	30.54 (70)	51.66
Rural Districts	-	-	-	-	-	-	8.14 (5)	2.19 (5)	10.33 (5)	8.12 (5)	2.02 (5)	10.14	9.03 (5)	19.16 (5)	29.49
Local Improvement Districts	55.60 (2)	-	-	-	-	-	3.82 (19)	2.28 (19)	6.10 (19)	7.26 (19)	1.61 (19)	8.87	8.71 (19)	17.57 (19)	23.67
Local Government Communities	-	-	-	-	-	-	3.65 (16)	2.69 (16)	6.34 (16)	8.02 (16)	- (16)	8.02	2.00 (16)	10.00 (16)	16.34
Sample Average	19.50	3.07	2.82	2.76	10.11	1.88	14.68	2.75	17.22	9.28	2.63	11.91	13.24	24.98	42.20

Table A-2: Revenue Yields Per Capita and Size of Municipalities, 1971 Sample (Municipal Yields Averaged for Each Size Category)

Population Size	Property Tax (21)	Business Tax (69)	Fuel Tax (67)	Service Fee (70)	Water Rate (44)	Other Tax (68)	Total Tax (111)	Non-Tax Revenue (111)	Total Local Revenue (110)	Revenue & Road Grant (114)	Water Subsidy (114)	Sub-Total Grant (114)	Special Grant (112)	Total Grant (112)	Total Disposable Revenue
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Less than 1000	-	0.97	1.82	3.41	10.43	0.71	5.98	2.12	8.03	8.63	1.44	10.07	9.04	19.11	27.14
		(17)	(14)	(18)	(5)	(15)	(45)	(46)	(45)	(48)	(48)	(48)	(48)	(48)	
1000-2499	9.25	1.89	2.19	2.83	8.42	2.37	13.60	2.56	16.16	9.22	2.88	12.10	17.41	29.18	45.34
	(4)	(30)	(31)	(32)	(19)	(32)	(40)	(40)	(40)	(40)	(40)	(40)	(39)	(39)	
2500-4999	14.72	5.89	4.89	2.33	10.97	1.38	25.77	2.63	27.75	12.18	6.24	18.42	15.75	34.18	61.93
	(8)	(13)	(13)	(13)	(12)	(13)	(15)	(14)	(14)	(15)	(15)	(15)	(14)	(14)	
5000+	26.30	6.93	3.60	1.55	12.61	2.93	39.05	6.29	45.34	8.41	2.06	10.47	13.58	24.05	69.39
	(9)	(9)	(9)	(7)	(8)	(8)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	
Sample Average	19.50	3.07	2.82	2.76	10.11	1.88	14.65	2.75	17.22	9.28	2.63	11.91	13.24	24.98	42.20
					(thousand $)		(15,912.5)	(2,025.5)	(17,938.0)	(2,558.4)	(813.9)	(3,372.3)	(6,681.6)	(10,053.9)	(27,991.9)
					(allocation ratios)		56.8%	7.3%	64.1%	9.1%	2.9%	12.0%	23.9%	35.9%	100.0%

Table A-3: Revenue Yields Per Capita in Census Divisions, 1971 Sample (Municipal Yields Averaged for Each Division)

Census Division	Property Tax (21)	Business Tax (69)	Fuel Tax (67)	Service Fee (70)	Water Rate (44)	Other Tax (68)	Total Tax (111)	Non-Tax Revenue (111)	Total Local Revenue (110)	Revenue & Road Grant (114)	Water Subsidy (114)	Sub-Total (114)	Special Grant (112)	Total Grant (112)	Total Disposable Revenue
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Avalon Peninsula	16.40 (6)	3.06 (19)	3.99 (21)	2.59 (19)	8.57 (12)	0.88 (20)	14.73 (30)	1.54 (31)	16.14 (30)	9.46 (32)	1.97 (32)	11.43 (32)	16.04 (31)	27.25 (31)	43.39
Burin Peninsula	7.16 (1)	3.16 (6)	2.41 (6)	3.64 (6)	8.76 (4)	1.86 (6)	18.10 (6)	2.95 (6)	21.05 (6)	10.60 (6)	3.23 (6)	13.83 (6)	33.03 (6)	46.86 (6)	67.91
South Coast	10.67 (1)	1.89 (6)	2.17 (6)	2.38 (7)	8.50 (5)	0.56 (6)	10.51 (10)	1.71 (10)	12.22 (10)	7.04 (10)	2.98 (10)	10.02 (10)	10.45 (10)	20.46 (10)	32.68
St. George's Bay	10.71 (1)	2.98 (4)	2.25 (4)	2.43 (4)	11.91 (3)	1.48 (4)	11.60 (8)	3.13 (8)	14.73 (8)	6.71 (8)	2.34 (8)	9.05 (8)	4.12 (8)	13.16 (8)	27.89
Humber Valley	20.17 (2)	6.25 (3)	2.77 (3)	3.82 (3)	15.31 (2)	3.37 (3)	16.68 (9)	6.81 (9)	23.49 (9)	10.12 (9)	1.22 (9)	11.34 (9)	9.68 (9)	21.01 (9)	44.50
Central Nfld.	25.92 (3)	3.08 (6)	2.60 (6)	2.83 (6)	14.22 (5)	2.98 (6)	32.04 (7)	2.98 (7)	35.01 (7)	9.22 (7)	6.83 (7)	16.05 (7)	28.48 (7)	44.53 (7)	79.54
Bonavista Bay	18.12 (1)	2.21 (10)	2.16 (7)	3.06 (10)	8.78 (4)	0.92 (9)	13.14 (12)	1.78 (12)	14.92 (12)	10.05 (12)	3.58 (12)	13.63 (12)	11.21 (12)	24.84 (12)	39.76
Notre Dame-Green Bay	8.10 (3)	3.56 (11)	2.27 (10)	2.66 (11)	9.40 (6)	5.08 (10)	14.54 (17)	3.24 (16)	16.50 (16)	10.51 (17)	2.16 (17)	12.67 (17)	5.31 (16)	17.19 (16)	33.69
Northern Peninsula	-	2.78 (3)	1.84 (3)	2.32 (3)	9.51 (2)	0.89 (3)	9.72 (6)	3.07 (6)	12.79 (6)	8.34 (7)	2.37 (7)	10.71 (7)	12.58 (7)	23.30 (7)	36.09
Labrador	40.69 (3)	4.90 (1)	1.62 (1)	0.71 (1)	16.37 (1)	0.39 (1)	7.23 (6)	4.07 (6)	11.31 (6)	9.10 (6)	2.41 (6)	11.51 (6)	9.34 (6)	20.85 (6)	32.16
Sample Average	19.50	3.07	2.82	2.76	10.11	1.88	14.68	2.75	17.22	9.28	2.63	11.91	13.24	24.98	42.20

Table A-4: Revenue Yields Per Capita by Density Category, 1971 Sample (Municipal Yields Averaged for Each Density Category)

Density Category	Property Tax (21)	Business Tax (69)	Fuel Tax (67)	Service Fee (70)	Water Rate (44)	Other Tax (68)	Total Tax (111)	Non-Tax Revenue (111)	Total Local Revenue (110)	Revenue & Road Grant (114)	Water Subsidy (114)	Sub-Total	Special Grant (112)	Total Grant (112)	Total Disposable Revenue
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Missing	-	1.18 (2)	1.66 (2)	2.64 (2)	6.23 (1)	0.93 (2)	9.52 (2)	0.09 (2)	9.62 (2)	9.02 (2)	2.45	11.47	14.94 (2)	26.41 (2)	36.03
Lowest	9.54 (3)	2.72 (14)	4.50 (14)	3.16 (15)	8.75 (8)	1.15 (14)	9.95 (33)	2.32 (32)	11.49 (32)	9.34 (33)	1.78	11.12	10.18 (33)	21.30 (33)	32.79
Low-Medium	9.72 (4)	1.67 (29)	2.14 (27)	2.90 (30)	8.33 (17)	0.98 (29)	11.00 (43)	2.16 (44)	13.08 (43)	9.07 (45)	2.86	11.93	14.75 (44)	26.53 (44)	39.61
High-Medium	22.11 (13)	4.37 (23)	2.53 (23)	2.31 (23)	13.00 (17)	3.59 (22)	22.38 (32)	3.93 (32)	26.37 (32)	9.85 (32)	3.38	13.23	13.66 (31)	26.50 (31)	52.87
Highest	54.55 (1)	22.77 (1)	6.87 (1)	-	5.87 (1)	2.76 (1)	92.82 (1)	8.89 (1)	101.71 (1)	4.47 (2)	-	4.47	22.22 (2)	26.68 (2)	128.39
Sample Average	19.50	3.07	2.82	2.76	10.10	1.88	14.68	2.75	17.22	9.28	2.63	11.91	13.24	24.98	42.20

Table A-5: Revenue Yields Per Capita and Average Tax Reported Income in Municipalities, 1971 Sample (Municipal Yields Averaged for Each Income Category)

Average Tax Reported Income	Property Tax (21)	Business Tax (69)	Fuel Tax (67)	Service Fee (70)	Water Rate (44)	Other Tax (68)	Total Tax (111)	Non-Tax Revenue (111)	Total Local Revenue (110)	Revenue & Road Grant	Water Subsidy	Sub-Total	Special Grant	Total Grant	Total Disposable Revenue
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Missing	17.99	1.69	2.35	3.35	14.51	0.50	5.80	1.94	7.76	7.43	1.19	8.62	6.71	15.33	23.10
	(1)	(3)	(3)	(2)	(2)	(1)	(41)	(41)	(41)	(42)	(42)		(42)	(42)	(41)
Less than $1,000	-	0.90	1.73	2.46	5.84	0.58	7.56	2.48	10.04	8.04	1.86	9.90	8.49	18.39	28.43
		(18)	(17)	(19)	(7)	(18)	(19)	(19)	(19)	(19)	(19)		(19)	(19)	(19)
$1,000 - $1,299	5.98	2.46	1.87	2.52	9.55	1.18	14.36	1.98	16.34	8.99	4.12	13.11	26.06	39.19	55.53
	(2)	(13)	(11)	(14)	(9)	(13)	(14)	(14)	(14)	(14)	(14)		(14)	(14)	(14)
$1,300 - $1,499	7.37	2.83	4.73	2.91	11.74	0.97	22.05	2.87	24.91	10.18	5.91	16.09	29.89	45.80	70.34
	(3)	(13)	(14)	(14)	(11)	(14)	(14)	(14)	(14)	(14)	(14)		(13)	(13)	(13)
$1,500 - $1,799	9.63	4.62	2.68	2.60	9.23	1.46	24.50	3.28	26.73	12.51	4.63	17.14	13.49	30.63	57.12
	(6)	(12)	(12)	(12)	(9)	(12)	(11)	(10)	(10)	(12)	(12)		(12)	(12)	(10)
$1,800 and above	33.29	6.67	3.37	3.61	12.76	7.07	39.04	6.00	45.09	13.45	1.46	14.91	10.37	24.42	67.40
	(9)	(10)	(10)	(9)	(6)	(10)	(12)	(13)	(12)	(13)	(13)		(12)	(12)	(11)
Average Sample	19.50	3.07	2.82	2.76	10.11	1.88	14.68	2.75	17.22	9.28	2.63	11.91	13.24	24.98	42.20

The geographic variation in per capita municipal revenue yields is illustrated in Table A-3. It is evident that the highest total tax yields are achieved in the seven Central Newfoundland municipalities ($32.04), in the six units on the Burin Peninsula ($18.10), in the nine Humber Valley communities ($16.68) and on the Avalon Peninsula ($14.73). Particularly low tax yields are recorded on the South Coast, the Northern Peninsula and Labrador. This relationship, however, does not hold for particular tax yields. The real property tax, for instance, in three Labrador communities and in one Bonavista Bay municipality attains a very high level. The business tax yield is significantly higher in the Humber region than in any other in the Province, whereas the yield of the fuel tax is notably greater on the Avalon Peninsula than elsewhere. Per capita water rates achieve their peak in the Labrador, Humber Valley, Central and St. George's Bay regions, while no significant difference in these yields is apparent in the other areas.

The relationship between density and local revenues per capita is suggested in Table A-4. There is in this matter an obviously strong correlation between total per capita taxation and density, the yields rising steeply from $9.95, in the 33 communities with the lowest number of houses per road mile, to $92.82 in the unit with the highest recorded density (St. John's). Two taxes, however, appear to have a curious relationship with density. The yield of the fuel tax in communities with the lowest density is nearly as high as that recorded in St. John's. Surprisingly, the average per capita yield of water rates appears to have an uneven relationship with density. The Commission had anticipated a more inverse relationship to appear in this case. Service fees, however, do tend to vary inversely with density.

Table A-5 examines the general relationship between per capita tax-reported income and municipal revenues. There appears to be in this case a clear tendency for total taxation yields to rise as per capita income in the community increases. In those 19 units with average incomes below $1,000 per head of population, average municipal tax yields per capita during 1971 amounted to only $7.56. By way of contrast, the equivalent average for 12 municipalities reporting incomes in excess of $1,800 per capita was $39.04. The same strongly direct relationship exists for real property and business taxes and, to a lesser degree, for water and sewerage rates. The fuel tax and service fee yields, for obvious reasons, are less directly sensitive to income variations.

(ii) *Provincial Grants*

In 1971 the per capita grant allocations to 112 municipalities whose financial statements were interpreted by the computer amounted to approximately $25.00, of which $9.28 (37.1%) was attributed to revenue and road grants, $2.63 (10.5%) to water and sewerage subsidies, and $13.24 (53.0%) to special, emergency, initial and other grants. Table A-1 indicates that the cities and towns received the largest per capita grants, the former averaging $35.21 and the latter $30.54. City "grants" in this analysis, it should be noted, include the city grants to St. John's and Corner Brook, the annual water subsidy to Corner Brook, together with the cost to the Province of city fire services (St. John's) and of city police services (St. John's and Corner Brook). It is evident that total grant levels per capita in the 19 local improvement districts ($17.57) and in the 16 local government communities ($10.00) are significantly below those prevailing in the cities and towns. When the per capita yield to municipalities of particular grants is examined, it is clear that except for the cities (where they do not apply), the revenue and road grants do not vary significantly. Their yield was highest in the 72 towns ($10.27) and lowest in the 19 local improvement districts ($7.26), with the average for all units lying between these extremes. It is evident from Table A-1, however, that special grants in 1971 attained very high levels, accounting in that year for more than half of all grants distributed. The special "grant" for the cities is very high ($27.05) due to the fact that it represents the provincial expenditure on police and fire services. The 70 towns, on the other hand, received special grants totalling $16.95 per capita, nearly double the average amount received by local improvement districts ($8.71), and approximately eight times that received by local government communities ($2.00).

The relationship between municipal size and per capita grant allocations is suggested in Table A-2 where it is seen that the 48 communities with populations below 1,000 received an average total grant per capita of $19.11, as compared with $29.18 in the next size group (1,000-2,499), and $34.18 in the third largest group (2,500-4,999). But in the largest size group (5,000 and above) the per capita total grant drops to $24.05. *And we note that it would have dropped much more dramatically had we excluded from our calculation the large provincial expenditures for city fire and police services.* It is apparent that for the first three size groups there is some tendency for the revenue and road grants to increase slightly as community size increases, but again there is an abrupt decline in average per capita grant yield as we move to the fourth and largest size group. The per capita allocation of special grants in 1971 is particularly interesting. These contributions display no coherent relationship with municipal size. The 39 communities with populations between 1,000-2,499 received the largest average per capita special grants ($17.41), followed by the third largest group of 14 communities ($15.74), and the largest group of 11 communities ($13.58). The smallest size group, containing 48 communities, on the other hand, received special grants at the level of only $9.04. The special grants for the largest size group are, of course, heavily inflated by provincial expenditures on behalf of the beforementioned city services.

Geographic patterns in the distribution of grants are set out in Table A-3. (When interpreting these data it is well to recall that the regional averages which emerge from the comparisons are unweighted with respect to regional population. The per capita grant average for each region, in a word, is an average of the communities within the region, rather than an average of all grants distributed to all municipalities in the sample divided by their aggregate population.) In any case, total grants per capita in 1971 were distributed to the communities in the sample among the Province's ten regions in the following descending order of intensity: Burin Peninsula ($46.86); Central Region ($44.53); Avalon Peninsula ($27.25); Trinity-Bonavista Bays ($24.84); Northern Peninsula ($23.30); Humber Valley ($21.01); Labrador ($20.85); South Coast ($20.46); Notre Dame-Green Bays ($17.19); and St. George's Bay ($13.16). This pattern of geographic distribution is obviously more influenced by variation in the larger special grants than by differences in the smaller revenue and road grants. In fact, the latter grants, whose entire sample average is $9.28 per capita, vary from a high of $10.60 (Burin Peninsula) to a low of $6.71 (St. George's Bay). Special grants, on the other hand, whose entire sample average is $13.24, vary from a high of $33.03 (Burin Peninsula) to a low of $4.12 (St. George's Bay). It is also evident from this comparison that per capita water and sewerage subsidies are significantly higher in the seven Central Newfoundland units than in all other regions. But interregional comparisons for this grant are not too reliable, due to the inclusion of varying numbers of units across most regions without any water and sewerage systems.

When all grants are considered, there is little variation apparent in their per capita allocation among the four density categories, except that the 33 communities with the lowest density rating have a tendency to receive slightly lower grants (Table A-4). Among all units except the two with the highest density rating (one of which is St. John's), there is a surprising uniformity in the per capita yield of revenue and road grants. There is, as anticipated, a greater fluctuation in per capita special grants, but in this case there is no coherent relationship with density. Again, the high figure ($22.22) recorded for the two units in the highest density category is severely inflated by the provincial outlays in respect of city police and fire services.

The relationship between provincial grants and community tax-reported income is of considerable interest. This relationship, however, should be carefully interpreted. For one thing, it is restricted to only 70-some units for which income data were obtained, although the "missing" column at the top of Table A-5 provides the appropriate grant figures for most of the excluded municipalities. For another, the comparison is subject to the limitations imposed because of the imperfections inherent in the available statistics on community income which were noted earlier in Chapter 6. In a general way, it seems clear that per capita total grants vary directly with municipal income over the first three income groups (i.e., for communities whose income per capita is below $1,500). For the two income groups above $1,500, containing 24 municipalities, there is then a substantial decline in the yield of total grants per capita. Much the same general pattern is apparent when special grants are related to income. But in the case of revenue and road grants, there is a steady though small increase in per capita yields as income increases. Hence, the 19 units whose average income falls below $1,000 per capita received $8.04, as compared with the 13 municipalities above $1,800 whose equivalent grant yield was $13.45. The water and sewerage subsidies, finally, tend to display a pattern more akin to the special grants; they are higher for the communities in the middle income groups than for those in the highest and lowest categories.

(iii) *Total Disposable Revenue*

Table A-6 summarizes the relationships prevailing in 1971 among all sources of municipal revenue for the local governments in our sample. It indicates, again in per capita amounts for the five standard categories (municipal type, population, location, density and per capita income level), the total municipal revenue yield raised locally, the total provincial grant allocations, the total disposable revenue available for local budgetary allocation, and the degree to which Newfoundland's municipalities are dependent upon the Province for fiscal support (i.e., what we have chosen to call in this report "municipal fiscal dependency").

Table A-6: Summary of Aggregate Fiscal Indicators, Municipal Revenue Raised Locally, Provincial Grants, Total Disposable Revenue and Municipal Fiscal Dependency, by Municipal Category: 1971 Sample (Unweighted Averages)

Municipal Category	Total Local Revenue (Own Sources) Per Capita (110)	Total Provincial Grants Per Capita (112)	Total Disposable Revenue Per Capita (108)	Municipal Fiscal Dependency (On Grants) (108)
	$	$	$	%
Sample Average	17.22	24.98	41.59	63.3
Unit Type				
Cities	94.93 (2)	35.21 (2)	130.14 (2)	27.0 (2)
Towns	21.12 (72)	30.54 (70)	51.10 (66)	59.3 (66)
Rural Districts	10.33 (5)	19.16 (5)	29.49 (5)	69.1 (5)
Local Improvement Districts	6.10 (19)	17.57 (19)	23.67 (19)	75.3 (19)
Communities	6.34 (16)	10.00 (16)	16.34 (16)	68.6 (16)
Population Size				
Less than 1,000	8.03 (45)	19.11 (48)	26.77 (45)	70.2 (45)
1,000 - 2,499	16.16 (40)	29.18 (39)	43.87 (39)	62.7 (39)
2,500 - 4,999	27.75 (14)	34.18 (14)	62.51 (13)	57.8 (13)
5,000 and above	45.34 (11)	24.05 (11)	69.38 (11)	44.2 (11)
Census Division				
Avalon Peninsula	16.14 (30)	27.25 (31)	42.79 (29)	66.8 (29)
Burin Peninsula	21.05 (6)	46.86 (6)	67.91 (6)	61.0 (6)
South Coast	12.22 (10)	20.46 (10)	32.69 (10)	67.4 (10)
St. George's Bay	14.73 (8)	13.16 (8)	27.89 (8)	59.4 (8)
Humber Valley	23.49 (9)	21.01 (9)	44.50 (9)	56.7 (9)
Central Newfoundland	35.01 (7)	44.53 (7)	79.51 (7)	55.7 (7)
Bonavista Bay	14.92 (12)	24.84 (12)	39.76 (12)	62.1 (12)
Notre Dame-Green Bays	16.50 (16)	17.19 (16)	29.41 (15)	60.3 (15)
Northern Peninsula	12.79 (6)	23.30 (7)	37.46 (6)	63.5 (6)
Labrador	11.31 (6)	20.85 (6)	32.15 (6)	66.5 (6)
Density Category				
Missing Group	9.62 (2)	26.41 (2)	36.03 (2)	70.4 (2)
Lowest	11.49 (32)	21.30 (33)	32.69 (32)	69.2 (32)
Low - Medium	13.08 (43)	26.53 (44)	39.08 (42)	64.6 (42)
High - Medium	26.37 (32)	26.50 (31)	51.35 (31)	55.1 (31)
Highest	101.71 (1)	26.68 (2)	140.00 (1)	27.3 (1)
Income Category				
Missing Group	7.76 (41)	15.33 (42)	23.10 (41)	71.0 (41)
0 - $999	10.04 (19)	18.39 (19)	28.43 (19)	63.2 (19)
$1,000 - $1,299	16.34 (14)	39.19 (14)	55.53 (14)	62.9 (14)
$1,300 - $1,499	24.91 (14)	45.80 (13)	70.34 (13)	62.7 (13)
$1,500 - $1,799	26.73 (10)	30.63 (12)	57.12 (10)	54.1 (10)
$1,800 and above	45.09 (12)	24.42 (12)	67.40 (11)	44.6 (11)

Among the more than 100 municipalities whose audited financial statements form the basis for this study, the average per capita amount of revenue raised locally in 1971 was only $17.22. Total provincial grants per capita, on the other hand, were in excess of the latter amount and reached the level of $24.98. All units in the sample, therefore, had a disposable revenue amounting to more than $41.00, of which just under 40 per cent accrued from local sources and just over 60 per cent from the Province. (This estimate, as indicated above, contains a substantial provincial outlay in respect of city police and fire services.) As anticipated, average per capita municipal budgets in the two cities ($130.14) attained a level more than double that achieved in the 66 towns ($51.10), which, in turn, was more than double the average budgetary level prevailing in the 19 local improvement districts ($23.67) and considerably greater than the equivalent rate for the 16 local government communities ($16.34). When the degree of municipal fiscal dependency is examined, it is apparent that the incidence of grant allocation favours municipalities in the following descending order: local improvement districts (75.3%); rural districts (69.1%); communities (68.6%); towns (59.3%); and cities (27.0%). There are, to be sure, important exceptions that ought to be noted among these unweighted average comparisons. For example, two municipalities among the category receiving maximum provincial support through grants (i.e., L.I.Ds), namely, Labrador City and Wabush, are among the few local authorities in Newfoundland receiving minimal budgetary support from the Province. This fact merely suggests that the rate of fiscal dependency among the remaining districts in the sample is well above the very high group average appearing in the table and exceeding 75 per cent.

One of the most significant conclusions to emerge from this survey is that Newfoundland's system of provincial grants to local governments is heavily biased in favour of smaller municipalities: in other words, the smaller the community, the greater the proportion of the local budget attributable to provincial grants. This conclusion could perhaps be anticipated from the formula under which the revenue grant is distributed. As is indicated in Chapter 8 above, that formula tends to allocate grants to municipalities in an inversely descending order related to local revenue collections. Units collecting smaller amounts of revenue, thus, tend to obtain *proportionately* larger grants. Larger local collections, on the other hand, yield smaller provincial contributions until the maximum of $100,000 is reached, when no further grant is authorized. It is well known, however, that in recent years the revenue grant within the overall municipal fiscal support structure has dramatically diminished in relative weight. It is indicated in the current provincial budget, for example, that the revenue grant will only reach an estimated $4.1 million in 1974-75, as compared with grants to municipalities estimated by the Commission to be about $21.8 million during 1974, including the Province's outlays on city fire and police services. In 1971 its relative importance was much greater than is now the case, when it contributed less than one-fifth of all grants distributed, but it had even by then been supplanted in importance by the road, water and special grants which together represented well over half of all the provincial contributions to local budgets.

Our conclusion is that, at least three years ago, the bias inherent in the revenue grant formula was not in fact being neutralized by countervailing tendencies in the increasingly significant water subsidies and special grants. Indeed, it is apparent that in recent years all grant components have combined to reinforce one another in support of the medium and smaller municipalities where local revenue collections remain at very low levels. (This phenomenon is examined more fully below.) Communities below 1,000 thus received the highest proportion of their total fiscal needs (70.2%) by way of grants, while the equivalent ratios for the three progressively larger size groups were in the descending order of 62.7, 57.8 and 44.2 per cent respectively. The Commission wishes to caution, however, that these apparent regularities should not become the foundation for any inference regarding the statistical relationship between provincial grants and the size of municipalities. The averages upon which these generalizations are based conceal substantial patterns of variation. Indeed, it will be shown later than no strongly coherent statistical association can in fact be discovered between the level of individual and total grants, on the one hand, and the population size of municipalities in the entire sample on the other. Nor, as we indicate in Table A-12 below, is there a strong pattern of association between total grants per capita and municipal revenue yields per capita. There is, indeed, very little coherent statistical relationship between total grants per capita and local tax effort.

It is also apparent from Table A-6 that the degree of municipal fiscal dependency varies considerably among Newfoundland's ten geographic regions. On the Avalon Peninsula, which in addition to having the largest municipality in the Province also has the largest number of small units, the dependency ratio reached its peak of nearly 69 per cent. That region is followed (in descending order) by the South Coast and Labrador (67%), the Northern Peninsula (64%), Trinity-Bonavista Bays (62%), Burin Peninsula (61%), Notre Dame-Green Bays (60%), St. George's Bay (59%), Humber Valley (57%), and Central Newfoundland (56%). Within no geographic region, in short, did the municipalities included in the 1971 sample succeed in raising one-half of their total budgetary requirements. It is also apparent from Table A-6 that the degree of municipal fiscal dependency varies inversely with density and, to a much lesser extent, with income. Among the 46 municipalities included in the three lowest income groups (i.e., all communities reporting income per capita below $1,500), all on the average appear to be about equally dependent upon provincial grants (62-63%), whereas for the 10 and 11 communities within the two highest income categories the equivalent ratio falls to 54 and 45 per cent respectively. Again, however, the Commission cautions that hasty inferences about the statistical relationship between grants and community personal income should not be drawn from these averages, each of which, as suggested earlier, contains substantial variation. *For the entire sample it will later be demonstrated that except in the case of the revenue grant, and to a lesser degree the road grant, there is no strong statistical correlation whatever between water and sewerage subsidies, special grants and total grants on the one hand, and community income on the other.*

(iv) *Municipal Tax Delinquency*

It has been shown in Chapter 7 that Newfoundland has the highest level of tax delinquency in Canada. It has maintained this record, moreover, in every year for more than two decades. Table A-7 specifies the extent and incidence of municipal tax default in the Province during 1971. Column (1) details the per capita amounts of taxes and service charges outstanding in terms of the five standard municipal categories. For the entire sample (103 units), annual tax arrears amounted to $6.05 per capita. From column (2) it is apparent that among the 98 units whose budgets were readable by the computer in this particular area, taxes outstanding amounted to more than half (58%) of the total local tax yield. The tax yield-tax arrears ratio was lowest in the two cities (19%) and highest in the 14 local government communities (100%). This result confirms the impressions received by the Commission during its public hearings. It seems clear, however, that there is little clear inverse consistency as between municipal size and tax defaults. The size of these outstanding obligations relative to tax collections declines from a very high level (79%) in the case of units with populations below 1,000 to a moderate but still excessive level (35%) in the case of units between 2,500 and 4,999. Then, among the 10 municipalities with populations in excess of 5,000, the ratio rises sharply to 56 per cent. When measured against actual collections, the geographic regions of Newfoundland experienced tax delinquency during 1971 in the following descending order of intensity: Humber Valley (89%); Notre Dame-Green Bays (81%); Avalon Peninsula (65%); South Coast and Central Newfoundland (52%); Northern Peninsula (51%); St. George's Bay (43%); Labrador (40%); Burin Peninsula (36%); and Trinity-Bonavista Bays (34%). The Commission wishes to emphasize once again that these regional comparisons involve *unweighted* averages of community performance in regard to municipal tax collections. Municipalities both large and small within each region, that is to say, have their tax delinquency records averaged by this method of comparison. Two regions with the highest community average tax defaults (Humber and Avalon), for instance, each contain cities where, as we have seen, tax amounts outstanding are in proportional terms the lowest in the entire municipal system. If a weighted average for comparative purposes had been used, it would probably have shown that the *ratepayers* in the two regions mentioned had the *lowest* average tax delinquency record in Newfoundland. The Commission, however, is examining municipal rather than the individual records in this matter.

The apparent relationships between tax delinquency, on the one hand, and both density and income on the other, are very uneven. Apart from St. John's — the single unit in the highest density category — which has a very low ratio of 16 per cent, there is virtually no difference in average tax arrears levels prevailing among the nearly 70 units contained in the low-medium and high-medium density categories (53-54%). But the 26 municipalities in the low density groups have a higher delinquency rate of 66 per cent. In the two municipalities for which density levels could not be computed, the rate soared to 148 per cent. With respect to per capita income, average tax delinquency ratios are highest among the lowest (under $1,000) group (85%) and among the "missing" category; i.e., the sample units for

Table A-7: Outstanding Taxes by Municipal Category, 1971 Sample (Unweighted Averages)

Municipal Category	Out-Standing Taxes Per Capita (103)	Out-Standing Taxes % of Total Taxes (98)	Out-Standing Taxes % of Total Grants (99)	Local Tax Effort Index* (68)	A.T.R. Income Per Capita (74)
	$	%	%		$
Sample Average	6.05	58	28	103	1,381
Unit Type					
Cities	16.27 (2)	19 (2)	47 (2)	27 (2)	2,328 (2)
Towns	6.77 (70)	50 (65)	26 (66)	108 (66)	1,283 (70)
Rural Districts	5.14 (3)	48 (3)	18 (3)	- (0)	-
Local Improvement Districts	3.62 (14)	55 (14)	24 (14)	- (0)	3,842 (2)
Communities	3.62 (14)	100 (14)	41 (14)	- (0)	-
Population Size					
Less than 1,000	3.75 (42)	79 (38)	29 (41)	182 (16)	1,237 (19)
1,000 - 2,499	6.06 (35)	47 (35)	24 (34)	102 (31)	1,150 (31)
2,500 - 4,999	8.18 (16)	35 (15)	24 (14)	58 (14)	1,604 (15)
5,000 and above	12.30 (10)	56 (10)	45 (10)	35 (9)	2,105 (9)
Census Division					
Avalon Peninsula	6.26 (27)	65 (25)	28 (26)	124 (18)	1,526 (20)
Burin Peninsula	5.55 (6)	36 (6)	16 (6)	85 (6)	1,201 (6)
South Coast	4.29 (9)	52 (9)	27 (9)	182 (7)	1,039 (7)
St. George's Bay	3.22 (6)	43 (6)	28 (6)	84 (4)	1,423 (4)
Humber Valley	6.45 (8)	89 (8)	36 (8)	75 (3)	1,756 (3)
Central Newfoundland	11.36 (8)	52 (7)	38 (7)	54 (6)	1,706 (7)
Trinity-Bonavista Bays	4.01 (12)	34 (12)	20 (12)	111 (9)	1,045 (9)
Notre Dame-Green Bays	7.81 (15)	81 (14)	36 (13)	90 (11)	1,061 (12)
Northern Peninsula	5.03 (7)	51 (6)	22 (7)	91 (3)	917 (3)
Labrador	5.02 (5)	40 (5)	31 (5)	16 (3)	3,122 (3)
Density Category					
Missing Group	14.06 (2)	1.48 (2)	64 (2)	102 (2)	994 (2)
Lowest	5.74 (26)	66 (26)	27 (26)	122 (15)	1,394 (15)
Low-Medium	5.22 (41)	53 (37)	24 (38)	102 (27)	1,184 (31)
High-Medium	6.66 (32)	54 (32)	32 (31)	95 (25)	1,589 (25)
Highest	9.51 (2)	16 (1)	33 (2)	31 (1)	2,847 (1)
Income Category					
Missing Group	3.94 (33)	80 (32)	31 (33)	- (0)	- (0)
$0 - $999	7.17 (17)	85 (16)	35 (16)	101 (19)	620 (20)
$1,000 - $1,299	3.86 (13)	35 (13)	19 (13)	145 (14)	1,116 (14)
$1,300 - $1,499	9.97 (14)	48 (14)	23 (13)	96 (14)	1,373 (14)
$1,500 - $1,799	6.20 (13)	39 (11)	26 (12)	88 (11)	1,623 (13)
$1,800 and above	7.79 (13)	19 (12)	31 (12)	78 (12)	2,601 (13)

*The coefficient of Local Tax Effort (Income/Taxation) is inversely related to local tax effort.

which income data were not obtained (80%). But the delinquency ratio then *falls* to 35 per cent for the second income group ($1,000-$1,299) and *rises* to 48 per cent for the third group ($1,300-$1,499). Finally, for the two highest income categories the rate falls to 39 and 19 per cent respectively. (Later in this Annex it will be shown that the level of outstanding taxes per capita in Newfoundland's municipalities is not correlated in a statistically significant manner with population, density, personal income per capita of ratepayers, and social assistance payments per capita in the communities under examination.) These ratios, in any case, are undoubtedly the highest recorded in any jurisdiction known to the Commission. While they range widely in the case of individual municipalities between 15 and 160 per cent, their overall average of nearly 60 per cent constitutes a critical weakness in the municipal fiscal system. The Commission has good reason to believe, moreover, that the incidence of tax defaults has risen since 1971.

(v) *Municipal Service Levels, Local Tax Effort and Selected Municipal Fiscal Indicators*

The fifth section of the Commission's terms of reference directs it to examine and report upon municipal service levels as they relate to the capacity of local communities to pay for services. In the next section of the Annex, we examine the nature of this relationship in some depth. The information supplied here should thus be regarded merely as an introduction to the more systematic inquiry undertaken below. The distribution of services among the Province's population was examined fully in Chapter 5. At this point, we confine our attention to three basic series: namely the water, sewerage and road pavement level ratios. The averages contained in these three ratios for each and all municipalities included in the survey were also collapsed into a single composite number which we have called a "service index". (All three services, it should be noted, were given an equal weight in the index.) The service index number ranges between 0.00 and 1.00.

Table A-8 presents a summary set of breakdown comparisons among the composite service index (right hand column) and such indicators as income per capita, local tax yield per capita, the proportion of total municipal budgets raised locally (this ratio is the reverse of the fiscal dependency ratio), outstanding taxes per capita, municipal debt per capita and the local tax effort index. (It will be recalled that the numbers of the latter index bear an *inverse* relationship with tax effort.) The results of these comparisons are distributed among the five standard municipal categories employed in this chapter (type of municipal unit, population size, census division, density group and income category.) The unweighted averages found in the table indicate that some general regularities exist in the service and tax effort series. General service levels for instance are highest in the cities and towns and lowest in the rural districts and communities. A strong inverse pattern also emerges when average service levels are distributed by population size group. The regional distribution of water, sewerage and road pavement services, as expected, is uneven. The composite index ranges from 0.85 in the Central area to the very low level of 0.24 in the Northern Peninsula. The second and third highest average levels are recorded on the Burin (0.57) and Avalon (0.52) Peninsulas. All other regions range between 0.46 and 0.43, but four of them attain the average level of 0.45 (South Coast, Humber Valley, Notre Dame-Green Bays and Labrador). There is the expected direct relationship between density and average service levels, with the latter tending to rise as density ratios increase. The relationship between average service levels and income per capita, however, exhibits a more irregular pattern. In a very general sense, service levels tend to rise as income per capita in towns increases, on the average. It will be noted, however, that the fifth-highest income group ($1,500-$1,799) has a *lower* average service level than the fourth-highest group ($1,300-$1,499). Again, the Commission emphasizes that these average service-income comparisons are but preliminary approximations of the statistical relationships actually prevailing among these critical indicators. A more complete understanding of the associations among them must await the results of the regression analysis presented in the next section. It is clear, nonetheless, that the municipalities for which income data were not obtained (i.e., the "missing" category) have an extremely low *average* service level.

For the 74 communities, in respect of which the Commission obtained total income estimates from federal tax returns, the *unweighted* average income per capita stood at $1,381. (Because it is unweighted, this figure is lower than the official average income per capita reported by Statistics Canada for Newfoundland in 1971.) Not unexpectedly, average income in the two cities exceeds that recorded in the towns. But the level achieved in the two Labrador West municipalities far exceeds that in the cities. There is some unevenness in the average relationship between income per capita and population size. The 19 units with the smallest populations appear to have a slightly larger average income than do the 31 communities in the next larger groups. A similar unevenness is noted as well in the income-density averages. The 15 units in the lowest density group have a higher average income than the 31 communities in the next highest group. Otherwise, average income increases with density.

It is also evident that when it is measured in this manner, average income per capita in the Province's regions is highest in Labrador. Unfortunately, this average includes only three major municipalities in that region. Even though they are unweighted, the averages for units in the other regions probably give an accurate estimate of the relative personal income positions of the local authorities included in this survey. In descending order of their levels, average incomes per capita were reported as follows: Humber Valley ($1,756); Central Region ($1,706); Avalon Peninsula ($1,526); St. George's Bay ($1,423); Burin Peninsula ($1,201); Notre Dame-Green Bays ($1,061); Trinity-Bonavista Bays ($1,045); South Coast ($1,039); and the Northern Peninsula ($917).

As was suggested earlier, local tax effort is measured in this report by use of a coefficient that varies inversely with the degree to which citizens impose income-related *taxation* upon themselves for local government services. Because income levels vary from community to community, the actual amount of annual taxes collected in any municipality (i.e., tax yield per capita) does not, by itself, tell us very much about the intensity of taxation as it relates to the income available to all community residents. Accordingly, the tax effort index is produced by dividing 1971 total tax dollars collected in each municipality into the total income reported by its residents during the same year. The result of these calculations, as we indicate below in greater detail, is a statistical series that ranges from a low of 14 (Roberts Arm, with the *highest* tax effort among all cities and towns for

Table A-8: Selected Fiscal Indicators by Municipal Categories, 1971 Sample (Unweighted Average)

Municipal Category	A.T.R. Income Per Capita $	Tax Yield Per Capita $	Local Tax Effort Index*	Total Local Revenue as % of Total Dis-posable Revenue %	Out-standing Taxes Per Capita $	Debt Per Capita $	Service Index
Sample Average	1,381 (74)	14.44 (111)	103 (68)	36.7 (108)	6.05 (103)	26.62 (89)	0.49 (110)
Unit Type							
Cities	2,328 (2)	85.17 (2)	27 (2)	73.0 (2)	16.27 (2)	114.4 (2)	0.88 (2)
Towns	1,283 (70)	18.66 (69)	108 (66)	40.7 (66)	6.77 (70)	27.12 (67)	0.62 (70)
Rural Districts	-	8.14 (5)	- (0)	30.9 (5)	5.14 (3)	24.34 (2)	0.18 (5)
L.I.D.'s.	3,842 (2)	3.82 (19)	- (0)	24.7 (19)	3.62 (14)	23.98 (11)	0.32 (19)
Communities	-	3.65 (16)	- (0)	31.4 (16)	3.62 (14)	1.54 (7)	0.12 (14)
Population Size							
Less than 1,000	1,237 (19)	4.05	182 (16)	29.8 (45)	3.75 (42)	14.75 (32)	0.23 (43)
1,000 - 2,499	1,150 (31)	12.01	102 (31)	37.3 (39)	6.06 (35)	29.70 (31)	0.58 (40)
2,500 - 4,999	1,604 (15)	27.81	58 (14)	42.2 (13)	8.18 (16)	32.25 (16)	0.76 (16)
5,000 and above	2,105 (9)	48.76	35 (9)	55.8 (11)	12.30 (10)	46.06 (10)	0.82 (10)
Census Division							
Avalon Peninsula	1,526 (20)	14.73 (30)	124 (18)	31.2 (29)	6.26 (27)	33.87 (24)	0.52 (30)
Burin Peninsula	1,201 (6)	18.10 (6)	85 (6)	39.0 (6)	5.55 (6)	22.61 (6)	0.57 (6)
South Coast	1,039 (7)	10.51 (10)	182 (7)	32.6 (10)	4.29 (9)	26.79 (7)	0.45 (8)
St. George's Bay	1,423 (4)	11.60 (8)	84 (4)	40.6 (8)	3.22 (6)	8.43 (5)	0.46 (8)
Humber Valley	1,756 (3)	16.68 (9)	75 (3)	43.3 (9)	6.45 (8)	12.77 (6)	0.45 (9)
Central Nfld.	1,706 (7)	32.04 (7)	54 (6)	44.3 (7)	11.36 (8)	32.99 (8)	0.85 (8)
Bonavista Bay	1,045 (9)	13.14 (12)	111 (9)	37.9 (12)	4.01 (12)	30.01 (9)	0.43 (12)
Notre Dame-Green Bays	1,061 (12)	14.54 (17)	90 (11)	39.7 (15)	7.81 (15)	25.00 (15)	0.45 (17)
Northern Peninsula	917 (3)	9.72 (6)	91 (3)	36.5 (6)	5.03 (7)	14.94 (5)	0.24 (6)
Labrador	3,122 (3)	7.23 (6)	16 (0)	33.5 (6)	5.02 (5)	32.73 (4)	0.45 (6)
Density Category							
Missing	994 (2)	9.52 (2)	102 (2)	29.6 (2)	14.06 (2)	16.87 (2)	- (0)
Lowest	1,394 (15)	9.95 (33)	122 (15)	30.8 (32)	5.74 (26)	24.01 (19)	0.36 (32)
Low-Medium	1,184 (31)	11.00 (43)	102 (27)	34.5 (42)	5.22 (41)	21.96 (39)	0.43 (47)
High-Medium	1,589 (25)	22.38 (32)	95 (25)	44.9 (31)	6.66 (32)	20.51 (27)	0.72 (30)
Highest	2,847 (1)	92.82 (1)	31 (1)	72.7 (1)	9.51 (2)	99.46 (2)	0.94 (1)
Income Category							
Missing	-	5.80 (41)	-	29.0 (41)	3.94 (38)	13.37 (22)	0.21 (39)
0 - $999	620 (20)	7.56 (19)	101 (19)	36.8 (19)	7.17 (17)	12.37 (15)	0.43 (19)
$1,000 - $1,299	1,116 (14)	14.36 (14)	145 (14)	37.1 (14)	3.86 (13)	32.80 (13)	0.60 (13)
$1,300 - $1,499	1,373 (14)	22.05 (14)	96 (14)	37.3 (13)	9.97 (14)	34.72 (14)	0.77 (14)
$1,500 - $1,799	1,623 (13)	24.50 (11)	88 (11)	45.9 (10)	6.20 (13)	33.67 (12)	0.74 (12)
$1,800 and above	2,601 (13)	39.04 (12)	78 (11)	55.4 (11)	7.79 (13)	44.10 (13)	0.80 (13)

*The Index Number is inversely related to local tax effort.

which income information was available) to a high of 885 (Gaultois, with the *lowest* tax effort). It should be noted, moreover, that the tax effort index frequently groups together municipalities with the highest and lowest incomes per capita. When Newfoundland's local authorities are ranked in terms of their tax effort index scores, for example, two of the least prosperous communities in the Province, namely Roberts Arm and South Brook, rank with St. John's and Corner Brook at the very top of the rank order. These two small communities, in other words, had total municipal tax levels in 1971 that were proportionately the highest in the Province when related to the limited average incomes earned by their ratepayers.

It is evident that when it is measured in this manner, municipal taxation intensity in Newfoundland is substantially higher in the cities than in the towns, in the larger than in the smaller local units (on the average), in the higher than in the lower density municipalities (on the average), and in the higher-than the lower-income local authorities (on the average). These average regularities, we note again, can be misleading from a statistical standpoint, for each average conceals substantial variation among its component elements. As with all other measures, the correlation coefficients relating to tax effort are examined more fully below. With these qualifications in mind, it is noted that tax effort appears to achieve its highest level in Labrador (due largely to the inclusion of only the two high-income Labrador West municipalities in the computer's calculations), followed by the municipalities in Central Newfoundland, the Humber Valley, the Burin and St. George's Bay regions, the Notre Dame-Green Bays and Northern Peninsula areas, the Trinity-Bonavista Bays and Avalon regions and the South Coast.

Table A-9: Population, Income, Density and Service Indicators by Municipal Category: 1971 Sample (Unweighted Averages)

Municipal Category	Pop. Change (1966-1971)	Tax Reported Income Per Capita	Density Houses Rd. Mile	Houses with Public Water	Houses with Public Sewers	Paved Roads	Service Index
	%	$	No.	%	%	%	
Sample Average	18.7 (115)	1,381 (74)	40 (114)	56.4 (110)	48.0 (110)	41.8 (115)	0.49 (110)
Unit Type							
Cities	3.7 (2)	2,328 (2)	102 (2)	98.1 (2)	98.1 (2)	68.9 (2)	0.88 (2)
Towns	16.4 (74)	1,283 (70)	42 (72)	70.8 (70)	66.3 (70)	48.6 (73)	0.62 (70)
Rural Districts	16.0 (5)	-	27 (5)	20.5 (5)	2.4 (5)	31.7 (5)	0.18 (5)
L.I.D.'s.	32.6 (19)	3,842 (2)	38 (19)	44.9 (19)	22.3 (19)	28.4 (19)	0.32 (19)
Communities	15.5 (15)	-	29 (16)	7.1 (14)	0.0 (14)	26.2 (16)	0.12 (14)
Population Size							
Less than 1,000	10.4 (48)	1,237 (19)	31 (47)	30.3 (43)	14.6 (43)	22.9 (48)	0.23 (43)
1,000 - 2,499	27.6 (40)	1,150 (31)	42 (40)	65.4 (40)	59.6 (40)	48.0 (40)	0.58 (40)
2,500 - 4,999	24.6 (16)	1,604 (15)	43 (16)	83.2 (16)	82.9 (16)	60.8 (16)	0.76 (16)
5,000 and above	14.0 (11)	2,105 (9)	69 (11)	86.9 (11)	85.1 (11)	73.8 (11)	0.82 (11)
Census Division							
Avalon Peninsula	21.9 (32)	1,526 (20)	36 (31)	57.3 (30)	47.6 (30)	49.8 (32)	0.52 (30)
Burin Peninsula	49.4 (6)	1,201 (6)	39 (6)	64.7 (6)	50.0 (6)	57.2 (6)	0.57 (6)
South Coast	9.5 (10)	1,039 (7)	58 (9)	62.6 (8)	59.5 (8)	10.4 (9)	0.45 (8)
St. George's Bay	9.9 (8)	1,423 (4)	35 (8)	42.9 (8)	40.0 (8)	54.6 (8)	0.46 (8)
Humber Valley	62.1 (9)	1,756 (3)	35 (9)	43.7 (9)	43.7 (9)	48.7 (9)	0.45 (9)
Central Nfld.	2.3 (8)	1,706 (7)	46 (8)	92.6 (8)	81.0 (8)	82.2 (8)	0.85 (8)
Bonavista Bay	3.2 (12)	1,045 (9)	37 (12)	49.4 (12)	38.6 (12)	41.9 (12)	0.43 (12)
Notre Dame-Green Bay	10.0 (18)	1,061 (12)	35 (18)	54.1 (17)	51.6 (17)	26.7 (18)	0.45 (17)
Northern Peninsula	5.3 (6)	917 (3)	46 (7)	52.9 (6)	13.3 (6)	3.9 (7)	0.24 (6)
Labrador	24.8 (6)	3,122 (3)	52 (6)	48.3 (6)	48.3 (6)	38.4 (6)	0.45 (6)
Density Category							
Missing	-1.7 (2)	994 (2)	- (0)	- (0)	- (0)	33.3 (1)	- (0)
Lowest	16.9 (32)	1,394 (15)	17 (33)	40.5 (32)	33.7 (32)	31.6 (33)	0.36 (32)
Low-Medium	12.6 (47)	1,184 (31)	35 (47)	52.9 (47)	37.8 (47)	39.0 (47)	0.43 (47)
High-Medium	32.0 (32)	1,589 (25)	66 (32)	77.4 (30)	77.4 (30)	56.5 (32)	0.72 (30)
Highest	-1.3 (2)	2,847 (1)	122 (2)	98.0 (1)	98.0 (1)	43.3 (2)	0.94 (1)
Income Category							
Missing	21.9 (41)	-	34 (42)	25.1 (39)	9.3 (39)	25.9 (42)	0.21 (39)
0-$999	0.5 (20)	62 (20)	38 (19)	60.2 (19)	46.7 (19)	20.8 (19)	0.43 (19)
$1,000-$1,299	21.1 (14)	1,116 (14)	44 (14)	68.7 (13)	64.2 (13)	44.1 (14)	0.60 (13)
$1,300-$1,499	24.5 (14)	1,373 (14)	39 (14)	81.9 (14)	83.7 (14)	65.6 (14)	0.77 (14)
$1,500-$1,799	17.5 (13)	1,623 (13)	41 (12)	80.2 (12)	73.5 (12)	66.7 (13)	0.74 (12)
$1,800 and above	28.9 (13)	2,601 (13)	59 (13)	83.0 (13)	87.6 (13)	70.5 (13)	0.80 (13)

3. Correlation of Fiscal, Environmental and Service Variables

Pursuant to its terms of reference, the Commission has undertaken a comprehensive programme of statistical correlation (regression) in order to discover the complex patterns of association that appear to prevail in the Newfoundland municipal system among its fiscal, environmental and service variables. The particular series used for correlation purposes include, for each and all communities in the 1971 survey, the seven main municipal taxation variables, the tax arrears ratio, the six principal grant ratios, the fiscal dependency measure, expenditure, debt and miscellaneous indicators. (For a list of the principal fiscal indicators see Table A-15 below.) *The environmental series* include population (1971), population change (1966-1971), house numbers, public road mileage, density, income per capita, and long- and short-term social assistance payments per capita. *The service variables* are confined to the three major capital-intensive local service ratios, that is to say, the proportions of local roads paved and of houses connected to public water and sewerage systems within the communities included in the sample.

The degree of association that exists among these variables is measured by Pearson correlation coefficients. The numbers have a range from +1.00 to −1.00. Quite frequently this method of correlation is used to test hypotheses and even to predict relationships that are assumed to exist among different series. It could be hypothesized, for example, that there was a perfect and positive correlation between the per capita yield of, say, the real property tax and community income per capita. For such a presumed relationship to exist, it would be necessary to demonstrate that the community with the highest yield of the tax would also have the highest income, and that the unit with the second highest yield would have the second highest income, and so on through all pairs in the comparison. Such a perfect pattern of association, if it existed, would produce a correlation number of +1.00. Conversely, a perfectly inverse relationship between real property tax yield and community income per capita (where the unit with the highest tax yield had the lowest income, and the unit with the second highest tax yield the second lowest income, and so on) would produce a negative correlation number of −1.00. Or to consider a third possibility, there could be *absolutely* no correlation whatsoever between the real property tax and the income variable. In that case, the comparison would produce a correlation coefficient of 0.00, or a number perfectly between −1.00 and +1.00. It will thus be clear that when this method is employed to discover an existing relationship between two sets of numbers (in our example, the per capita yield of real property taxes in all communities using them and the per capita reported income of those same communities in the sample) the *significance* of the association pattern between them *increases* as the correlation coefficient approaches either −1.00 or +1.00. Among Newfoundland's municipalities actually using the real property tax which were included in our sample, the per capita yields of that tax correlate positively with income per capita at a level of 0.90. This represents, therefore, an extremely strong pattern of association; indeed it is among the strongest encountered in our study, and it confirms our hypothesis that real property taxation and income levels are very closely related.

Without describing the technical methods through which particular correlation coefficients are tested for their significance in relation to the properties of the sample from which they are derived, it is sufficient perhaps to point out that where the correlation numbers are high, say above ±0.65 or ±0.70, it can be presumed that increases or decreases in one variable will be strongly associated with the other in the comparison, whether in a direct (positive) or an inverse (negative) manner. When, on the other hand, correlation coefficients are low, say in the range of ±0.10 to ±0.30, it can be assumed that the patterns of association, whether positive or negative, are irregular and weak. (It is important to note that we are using these comparisons only as rough indicators of the association among variables; we make no claim that when there is a high correlation among two variables, and when the test of significance is recorded at the 0.001 level, that one given variable's behaviour *causes* or *determines* the behaviour of the other.)

In the next four sections of this Annex, designated as (a), (b), (c) and (d) respectively, the Commission presents the result of a four-part cycle of regressions (correlations) involving four basic sets of statistical association, as follows:

(a) **Regressions among Environmental and Fiscal Variables** (180)
(b) **Regressions Among Fiscal Variables** (359)
(c) **Regressions Among Service and Fiscal Variables** (90)
(d) **Regressions Among Service and Environmental Variables** (45)

In total some 674 separate coefficients are examined, each of which illustrates a different dimension of the interaction patterns that were found to exist in Newfoundland's municipal financial structure during 1971.

(a) **Regressions Among Environmental and Fiscal Variables** (180)

In the following section we summarize the results of correlations that included six of the main environmental indicators and 30 key fiscal variables. The matrix for this regression set contains 180 cells (6×30). Each cell yields a correlation coefficient indicating the statistical nature of a given pair-relationship. In this particular set of associations, the general pattern of correlation is found to be extraordinarily weak. Among the 180 pair-relationships examined, only 18 coefficients (10.0%) are in fact above the ±0.50 level. We list below some of the more significant associations that appear to exist among the principal environment and fiscal indicators:

(i) *Population Size, 1971*

1. Number of Municipal Employees (0.97)
2. Business Tax Per Capita (0.69)
3. Public Debt Per Capita (0.64)
4. Total Taxation Per Capita (0.60)
5. Total Local Revenue Per Capita (0.60)
6. Real Property Tax Per Capita (0.51)
7. General Government Expenditure Per Capita (0.45)
8. Total Disposable Revenue Per Capita (0.38)
9. Public Works Expenditure Per Capita (0.36)
10. Municipal Fiscal Dependency (−0.33)
11. Sanitation Expenditure Per Capita (0.28)
12. Road Grant Per Capita (−0.26)

13. Municipal Service Fee Per Capita (−0.26)
14. Total Municipal Expenditure Per Capita (0.25)

These associations show some expected results. Real property and business tax yields, together with total local revenues, are clearly associated in a positive manner with the size of our municipalities at levels above 0.50. We had not anticipated the correlation between water and sewerage rates per capita and population to be as negligible as it appears to be, namely 0.02. But there is the expected negative relationship (−0.33) between the fiscal dependency ratio and population size. We did, however, expect this comparison to produce a stronger inverse pattern of association. The strong relationship between municipal employees and outstanding public debt levels was initially hypothesized, but the exceedingly low level of debt charges per capita (0.13) was not anticipated. We had, indeed, supposed that all expenditure variables would be moderately associated with population size. Overall, as indicated above, total expenditure per capita correlates with population only at the 0.25 level. Notwithstanding remarks made earlier in this Annex about the apparent relationship between provincial grants and the size of municipalities, it is clear that across all units in the sample the grant-population associations are as follows: revenue grant (−0.06); road grant (−0.26); revenue plus road grant (0.15); water and sewerage subsidy (−0.02); special grant (0.12); and total grant (0.08). On the basis of this result, we have concluded that despite the apparent regularities in averages which appear in some of the previous tables, there is virtually no coherent general pattern in the association of grant levels and community size within Newfoundland's municipal system. We had, indeed, anticipated a much stronger, negative result to emerge from the calculations.

(ii) *Public Road Mileage*

Comparisons of the associations of 36 fiscal variables with this environmental indicator, as we should expect, tend in a general way to follow their overall relationship with population. But one striking result does emerge. The road grant, which as we later indicate is distributed to most of the non-city municipalities in the sample on a per capita basis, correlates with road mileage at the level of only −0.17.

(iii) *Density (Houses per mile of public road)*

The relationship of this environmental indicator with the fiscal variables follows quite a different pattern than in the case of the population size series. Generally speaking, the associations are weaker. The highest coefficients are the following:

1. Real Property Tax Per Capita (0.52)
2. Number of Municipal Employees (0.48)
3. Total Local Revenue Per Capita (0.48)
4. Total Taxation Per Capita (0.47)
5. Business Tax Per Capita (0.44)
6. Public Works Expenditure Per Capita (0.40)
7. General Government Expenditure Per Capita (0.39)
8. Total Expenditure Per Capita (0.37)
9. Recreation Expenditure Per Capita (0.36)

10. Road Grant Per Capita (– 0.36)
11. Municipal Fiscal Dependency (– 0.35)
12. Public Debt Per Capita (0.35)

As with population, density and water-sewerage rates exhibit no coherent relationship (0.19). As with population, too, the density variable is not significantly related in a statistical sense with provincial per capita grant allocations: revenue grant (0.10); road grant (– 0.36); revenue plus road grant (– 0.02); water and sewerage subsidy (0.10); special grant (0.07); and total grant (0.07). On the other hand, there is a slightly stronger association between density and the expenditure indicators, five out of eight of them having coefficients above the 0.24 level.

(iv) *Income Per Capita*

Because of its value as an indicator of "capacity to pay" for municipal service and other functions, the relationship between this key environmental variable and the fiscal indicators is of primary significance for our inquiry. Accordingly, we present the correlation coefficients in some detail. *In general, there tends to be only a marginally stronger association between income and the financial variables than was the case with either population or density.*

1. Real Property Taxation Per Capita (0.90)
2. General Government Expenditure Per Capita (0.64)
3. Protection Expenditure Per Capita (0.60)
4. Public Works Expenditure Per Capita (0.58)
5. Revenue Grant Per Capita (0.50)
6. Business Tax Per Capita (0.49)
7. Sanitation Expenditure Per Capita (0.47)
8. Revenue plus Road Grant Per Capita (0.45)
9. Total Local Revenue Per Capita (0.42)
10. Total Expenditure Per Capita (0.40)
11. Total Taxation Per Capita (0.39)
12. Non-Tax Revenue Per Capita (0.35)
13. Water and Sewerage Rate Per Capita (0.34)
14. Road Grant Per Capita (– 0.34)
15. Public Debt Per Capita (0.33)
16. Municipal Fiscal Dependency (– 0.30)
17. Number of Municipal Employees (0.29)
18. Other (Miscellaneous) Taxes Per Capita (0.26)

Some of these relationships were initially hypothesized, but their intensities did not vindicate our original projections. Coefficients for the property and business tax yields, for instance, are higher and lower respectively than anticipated. The relationship between total local revenue and income is much weaker than had been considered probable. While some degree of association is found in the case of the revenue grant (0.50) and the road grant (– 0.34), the water and sewerage subsidy (– 0.50), the special grant (– 0.05) and total grant (0.00) bear no general coherent association whatsoever with income. *This conclusion provides an essential qualification to the averaged data presented earlier which indicated a somewhat uneven relationship between grants and municipal income levels.* Another result which was not projected (in view of data presented in Table A-5), is the relatively weak association between municipal fiscal dependency and income (−0.30).

(v) *Short-and Long-Term Social Assistance*

It is perhaps a commentary on the less than perfect quality of our statistical input that the short-and long-term per capita social assistance payment indicators correlate with the community income per capita variable to the weak-moderate degree of only −0.43 and −0.37 respectively. And each of these correlations, it might be noted, is significant at the 0.001 level. (See Table A-16 below) In any case, as indicated earlier, we have used the social assistance series as a further rough measure of the prevailing economic health of Newfoundland's municipalities. *If these two variables are accurate indicators in this matter, they obviously bear very little systematic statistical relationship to any of our fiscal measures.* Each of the welfare variables was regressed against 36 fiscal indicators and in only one instance out of 72 did any moderate to strong association emerge: real property taxation per capita and long-term L.T.A. payments per capita correlate negatively at the level of −0.52. Of the remaining 71 coefficients only five (in the case of S.T.A.) and 16 (in the case of L.T.A.) achieve the weak-moderate level of between 0.25 and 0.49. And in fully 50 instances (69%) no meaningful association was found to exist. These results were not anticipated. The following coefficients illustrate some of the very uncertain patterns of association that are found in this sector:

1. Real Property Tax Per Capita - L.T.A. (−0.52)
2. Revenue plus Road Grant Per Capita - S.T.A. (−0.36)
3. Revenue Grant Per Capita - S.T.A. (−0.35)
4. Total Expenditure Per Capita - L.T.A. (−0.33)
5. Sanitation Expenditure Per Capita - L.T.A. (−0.32)
6. Protection Expenditure Per Capita - S.T.A. (−0.31)
7. Service Fees Per Capita - S.T.A. (−0.25)

As with the income comparison, total provincial grants appear to have no general association with social assistance payments. Total grants per capita, when regressed against short and long term social assistance payments per capita reported for the sample, yield coefficients of only −0.14 and −0.16 respectively. Municipal fiscal dependency and social assistance payments similarly have virtually no relationship: 0.06 (S.T.A.) and 0.12 (L.T.A.), respectively.

It is obvious that, as a general rule, the associations among environmental and fiscal indicators suggest exceedingly few moderate to strong patterns of correlation. Real property taxation per capita is moderately related to population size, road mileage, density and (negatively with) L.T.A. payments; on the other hand, it is very strongly associated with income. Business tax yields per capita are moderately correlated with population road mileage, density and income. They are very weakly associated with L.T.A. payments in an inverse manner. The fuel tax yield per capita correlates with no environment variable in any significant manner. Much the same can be said for water and sewerage rates, except that there is a weakly positive relationship with income. Because of the influence of their real property and business tax components, total taxation and total local revenue per capita have a moderate to strong association with population but only a weak to moderate correlation with density and income. *Outstanding taxes per capita are not related above the 0.25 level with any environmental variable. Significantly, the same condition holds with respect to local tax effort.* Except for the revenue grant, which attains a level of 0.50 with income, provincial grants, whether considered separately or in the aggregate, display no coherent association with the five principal environmental indicators. Municipal fiscal dependency, an extremely important indicator, is almost uniformly related very weakly with most environmental variables, its strongest coefficient being only −0.35 with density. Apart from general government, protection and public works expenditure per capita, which tend to have a moderate to strong association with income, no other expenditure indicator correlates with any environmental variable above the 0.50 level. Perhaps as many as half of these indicators, however, are associated only minimally with population, road mileage, density, income per capita and social assistance payment levels. Public debt per capita and municipal employees, finally, correlate strongly with population and road mileage, weak to moderately with density and income, but not at all with social assistance payments per capita.

(b) **Regressions Among Fiscal Variables** (359)

(i) *Local Revenue Per Capita, Outstanding Taxes and Local Tax Effort (45)*

The next series of comparisons are of central concern in this aspect of the inquiry. First, the associations among the locally-raised municipal revenue yields per capita, outstanding taxes and local fiscal effort are examined. The relevant regression coefficients are presented in Table A-10.

1.	(7) - (8)	Total Taxation and Total Local Revenue	(0.97)
2.	(2) - (7)	Business Tax and Total Taxation	(0.76)
3.	(2) - (8)	Business Tax and Total Local Revenue	(0.76)
4.	(1) - (10)	Real Property Tax and Local Tax Effort	(0.64)
5.	(1) - (2)	Real Property Tax and Business Tax	(0.50)
6.	(5) - (7)	Water-Sewerage Rate and Total Taxation	(0.50)
7.	(5) - (8)	Water-Sewerage Rate and Total Local Revenue	(0.49)
8.	(6) - (7)	Miscellaneous Taxes and Total Taxation	(0.46)
9.	(3) - (7)	Fuel Tax and Total Taxation	(0.45)
10.	(6) - (8)	Miscellaneous Taxes and Total Local Revenue	(0.44)
11.	(5) - (8)	Fuel Tax and Total Local Revenues	(0.42)
12.	(5) - (10)	Water-Sewerage Rate and Local Tax Effort	(0.42)
13.	(2) - (3)	Business Tax and Fuel Tax	(0.40)
14.	(8) - (10)	Total Local Revenue and Local Tax Effort	(0.40)
15.	(7) - (10)	Total Taxation and Local Tax Effort	(0.38)
16.	(1) - (4)	Real Property Tax and Service Fee	(0.36)
17.	(7) - (9)	Total Taxation and Outstanding Taxes	(0.35)
18.	(2) - (10)	Business Tax and Local Tax Effort	(0.33)
19.	(8) - (9)	Total Local Revenue and Outstanding Taxes	(0.32)

Although the general association among these series is somewhat stronger than that noted in previous comparisons, it should be emphasized that 26 out of the 45 pairs (57.8%) fail to achieve the minimum plateau level of

Table A-10: Matrix of Pearson Coefficients of Correlation Among Ten Local Revenue Indicators, Newfoundland Municipal Financial Survey, 1971

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) Real Property Tax	1.00									
(2) Business Tax	0.50	1.00								
(3) Fuel Tax	-0.02	0.40	1.00							
(4) Service Fee	0.36	-0.18	-0.16	1.00						
(5) Water-Sewerage Rate	0.08	0.22	0.14	0.00	1.00					
(6) Miscellaneous Taxes	-0.02	0.09	-0.01	0.00	0.10	1.00				
(7) Total Taxation	0.06	0.76	0.45	-0.20	0.50	0.46	1.00			
(8) Total Local Revenue	0.13	0.76	0.42	-0.17	0.49	0.44	0.97	1.00		
(9) Outstanding Taxes	-0.11	0.11	0.09	-0.06	0.12	0.13	0.35	0.32	1.00	
(10) Local Tax Effort	0.64	0.33	0.20	-0.11	0.42	0.19	0.38	0.40	0.24	1.00

±0.25. More than half of the association among these variables is accordingly not significant in a statistical sense. The Commission had predicted much higher values for pairs 4, 6, 7, 12, 14, 15, 18 and 19. In addition, it had initially considered it to be probable that pairs 15 and 19 would be negative and somewhat stronger than in fact they appear to be. It is evident as well that real property tax yields are not associated in any significant way with total tax yields per capita (0.06) or with total local revenue per capita (0.13). Outstanding taxes per capita do not appear to have a strong relationship with any of the local revenue indicators. Local tax effort, on the other hand, while it is related with some strength to use of the real property tax (0.64), has a comparatively weak association with water-sewerage rate (0.42), business tax (0.33), and total local revenue yields per capita (0.40).

(ii) *Local Revenue, Expenditure and Debt Level Variables (110)*

We next examine the correlation among the local revenue and the 10 expenditure-debt indicators. In this matrix of 110 cells, 55 pair relationships, or one-half of them, exceeded the minimum level of ±0.25. The coefficients for those associations, which show the strongest degree of correlation thus far, are found in Table A-11.

It is apparent from these coefficients that local levels of tax utilization are related in a unique manner to levels of municipal public expenditure. Real property tax yields per capita, for example, are strongly associated with per capita expenditures in respect of general government (0.79), public works (0.85), recreation and total expenditure (0.62). But they are not strongly correlated with protection (0.29), sanitation (0.21), utility expenditure (0.22) and debt charges (−0.04). The business tax yields per capita, by way of contrast, demonstrate generally much weaker relationships with the various expenditure series, while the fuel tax and service fee indicators exhibit virtually no coherent statistical nexus with expenditure patterns. Because of their additive features, total taxation and total local revenue yields per capita indicate progressively higher association strengths with most expenditure series, with the possible exception of the recreation outlays. The outstanding tax variable displays a consistently positive but very weak relationship with expenditure patterns. The Commission had initially supposed a stronger association would exist between tax arrears and utility expenditure per capita. This latter coefficient, however, only attains the level of 0.31. *Except for the expenditure series on utilities (0.40) and on total municipal outlays (0.42), there is not a strong association between local tax effort and the various categories of local spending.* Per capita debt levels, on the other hand, correlate moderately with business tax yields per capita (0.61), and with total taxation and total local revenue (0.56). *There is evidently very little association between debt ratios and the various local revenue indicators.* The expected negative relationship appears as between local tax effort and the debt ratio, but it is a very indifferent association indeed (−0.20).

Table A-11: Matrix of Pearson Coefficients of Correlation Among Expenditure, Debt and Local Revenue Indicators, Newfoundland Municipal Financial Survey, 1971

Expenditure-Debt Variables Local Revenue Variables	(1) General Government	(2) Protection*	(3) Public Works	(4) Sanitation	(5) Recreation	(6) Utilities	(7) Debt Charges	(8) Total Expenditures	(9) Debt	(10) Debt Ratio
(1) Real Property Tax	0.79	0.29	0.85	0.21	0.62	−0.22	−0.04	0.62	0.43	0.39
(2) Business Tax	0.57	0.30	0.47	0.40	0.30	0.25	0.10	0.31	0.61	−0.01
(3) Fuel Tax	0.24	0.23	0.17	0.22	0.06	0.10	0.00	0.26	0.13	0.08
(4) Service Fee	0.11	−0.09	−0.00	−0.04	−0.06	−0.18	0.05	0.05	0.03	−0.08
(5) Water-Sewerage Rate	0.23	0.40	0.17	0.22	0.05	0.62	0.21	0.44	0.13	0.00
(6) Miscellaneous Taxes	0.27	0.36	0.26	0.41	0.36	0.08	0.28	0.34	0.19	0.17
(7) Total Taxation	0.56	0.55	0.31	0.61	0.26	0.47	0.45	0.59	0.56	0.20
(8) Non-Tax Revenue	0.31	0.26	0.54	0.02	0.26	0.14	0.21	0.40	0.14	0.15
(9) Total Local Revenue	0.59	0.57	0.43	0.56	0.30	0.46	0.46	0.64	0.56	0.22
(10) Outstanding Taxes	0.19	0.22	0.07	0.21	0.04	0.31	0.29	0.27	0.17	0.30
(11) Local Tax Effort	0.33	0.30	0.28	0.32	0.22	0.40	0.29	0.42	0.23	−0.20

Note: All expenditure series are expressed as per capita ratios; so is the debt indicator; but the debt ratio is expressed as annual debt charges as a percentage of total local revenue. All revenue variables are expressed as per capita ratios. Local tax effort is expressed as an index coefficient.

*Exclusive of provincial expenditure on city police and fire services.

(iii) *Local Revenue and Provincial Grant Variables (88)*

Another exercise in this primary cycle of analysis examines the statistical association among the 11 main local revenue indicators and six municipal grant series, the series on total disposable revenue (total revenue raised locally *plus* provincial grants) and municipal fiscal dependency, a key indicator of the degree of provincial support of municipal budgets during 1971. The matrix for these associations is presented in Table A-12.

Because there are some important relationships revealed by these coefficients, we list them below in descending order of their intensity:

1. (7) - (9)	Total Disposable Revenue and Total Local Revenue	(0.76)
2. (7) - (7)	Total Disposable Revenue and Total Taxation	(0.74)
3. (8) - (9)	Municipal Fiscal Dependency and Total Local Revenue	(-0.68)
4. (8) - (7)	Municipal Fiscal Dependency and Total Taxation	(-0.61)
5. (2) - (2)	Road Grant and Business Tax	(-0.57)
6. (4) - (5)	Water-Sewerage Subsidy and Water-Sewerage Rate	(0.56)
7. (7) - (5)	Total Disposable Revenue and Water Sewerage Rate	(0.53)
8. (8) - (2)	Municipal Fiscal Dependency and Business Tax	(-0.51)
9. (8) - (8)	Municipal Fiscal Dependency and Non-Tax Revenue	(-0.50)
10. (1) - (7)	Revenue Grant and Total Taxation	(0.49)
11. (2) - (1)	Road Grant and Real Property Tax	(-0.49)
12. (3) - (6)	Revenue Plus Road Grants and Miscellaneous Taxes	(0.48)
13. (7) - (2)	Total Disposable Revenue and Business Tax	(0.47)
14. (7) - (6)	Total Disposable Revenue and Miscellaneous Taxes	(0.45)
15. (8) - (6)	Municipal Fiscal Dependency and Miscellaneous Taxes	(-0.43)
16. (3) - (9)	Revenue Plus Road Grants and Total Local Revenue	(0.42)
17. (4) - (11)	Water-Sewerage Subsidy and Local Tax Effort	(0.41)
18. (3) - (7)	Revenue Plus Road Grants and Total Taxation	(0.40)

There are, in addition, 21 other pair-relationships that exhibit a much weaker association in the range between ±0.39 and ±0.25. Thus 39 coefficients out of 88 (44.3%) are above the minimum plateau level. As a general rule, therefore, this particular matrix set has a weaker association than the revenue-expenditure-debt series examined above. It is evident, in any case, that total grants per capita to local authorities in Newfoundland do not achieve a strong pattern of correlation with local revenue yields per capita. All but one of the 11 total grant — local revenue pair-relationships are positive, but only two of them (total grant — total taxation and total grant — total local revenue) attain the weak associations of 0.34 and 0.35 respectively. Total grants and real property tax yields, on the other hand, are inversely related at a level of −0.36. The implication to emerge from this finding is that in the aggregate the provincial grants to Newfoundland's municipalities were scattered in an almost random manner in relation to local revenue yields during 1971.

Table A-12: Matrix of Pearson Coefficients of Correlation Among Provincial Grants, Total Disposable Revenue, Municipal Fiscal Dependency, and Local Revenue Variables, Newfoundland Municipal Financial Survey, 1971

Provincial Grant Variables, T.D.R. and M.F.D. Local Revenue Variables	(1) Revenue Grant	(2) Road Grant	(3) Revenue and Road Grants	(4) Water-Sewerage Subsidy*	(5) Special Grants	(6) Total Grant	(7) Total Disposable Revenue	(8) Municipal Fiscal Dependency
(1) Real Property Tax	−0.20	−0.49	−0.26	−0.39	−0.15	−0.36	−0.02	−0.08
(2) Business Tax	0.33	−0.57	0.24	0.11	−0.01	0.04	0.47	−0.51
(3) Fuel Tax	0.32	−0.15	0.30	0.08	−0.05	0.01	0.25	−0.31
(4) Service Fee	0.15	0.03	0.16	−0.13	0.12	0.11	−0.01	0.19
(5) Water-Sewerage Rate	0.06	−0.20	0.03	0.56	0.22	0.29	0.53	−0.11
(6) Miscellaneous Taxes	0.50	−0.14	0.48	−0.06	0.17	0.18	0.45	−0.43
(7) Total Taxation	0.49	−0.25	0.40	0.36	0.25	0.34	0.74	−0.61
(8) Non-Tax Revenue	0.15	0.31	0.24	0.11	0.11	0.16	0.35	−0.50
(9) Total Local Revenue	0.46	−0.16	0.42	0.34	0.27	0.35	0.76	−0.68
(10) Outstanding Taxes	0.16	−0.15	0.11	0.23	0.21	0.23	0.32	−0.08
(11) Local Tax Effort	0.26	−0.16	0.24	0.41	0.19	0.27	0.41	−0.21

Note: Grant series and T.D.R. expressed in per capita terms; M.F.D. (total grant as a percentage of total disposable revenue.) Revenue variables expressed in per capita terms, except local tax effort (index).

*For units with separately presented utility budgets, this series contains that portion of the revenue grant allocated in respect of such utility revenues.

Except in the case of the real property tax, the revenue grant is associated in a positive manner with the eleven local revenue indicators. Moderate association strengths are noted as between revenue grants per capita and miscellaneous taxes (0.50), total taxation (0.49) and total local revenue (0.48). But there is little or no correlation between revenue grants and either outstanding taxes per capita (0.16) or local tax effort (0.26). In the 11 pair-relationships involving road grants and local revenue yields, there is an inverse association in all instances except with service fees and non-tax revenue. The strongest coefficients here are in respect of the business tax (−0.57) and the real property tax yields (−0.49). When the revenue and road grants are added together, their per capita yields do not associate strongly with any revenue indicator, except possibly miscellaneous taxes (0.48) and total local revenue (0.42). One association which the Commission had hypothesized would be much stronger is that between water-sewerage subsidies (plus that portion of the revenue grant allocated to utility operations) and the yield of water-sewerage rates. These budgetary series are correlated at the moderate level of only 0.56. In view of their very substantial weight during 1971 in the provincial fiscal support structure, the behaviour of special grants in relation to all the local revenue yield series are of considerable interest. Column 5 (vertical) in the matrix indicates that very indifferent statistical relationships existed between the special grant series and all the local revenue variables. The strongest association in the 11 comparisons attained the level of only 0.27. There is, too, a very weak connection between the special grant series and both outstanding taxes (0.21) and local tax effort (0.19).

As we should expect, total disposable revenue — a series produced by adding all locally-raised revenues per capita to total grants per capita in each and all the sample budgets — displays a stronger general correlation with local revenue yields, possibly because of the phenomenon of autocorrelation. In any event, a series of moderate-to-strong positive associations emerge in (vertical) column 7 of the matrix. Total local revenue (0.76) total taxation (0.74) all display some strength *vis à vis* total disposable revenue. It is significant, however, that there is not any coherent relationship among total disposable revenue and real property tax yields (−0.02). Much the same conclusion can be drawn with respect to T.D.R. and both fuel tax and service fee yields. Finally, (horizontal) column 11 in the matrix suggests that while local tax effort does not correlate strongly with any of the grants — there is only a weak-to-moderate nexus at the level of 0.41 in the case of water-sewerage subsidies — it also fails to demonstrate a strong connection when all local and provincial fiscal contributions are aggregated (0.41). The patterns of association prevailing as between the municipal fiscal dependency ratio and local revenue yields is of primary importance. In these 11 pair-relationships set out in (vertical) column 8 of Table A-12, it is evident that, in all instances except service fees, there is manifestly a negative connection between municipal reliance upon provincial grants and local revenue yields per capita. The strongest inverse links occur between the additive series on total local revenue (−0.68) and total taxation (−0.61), but moderate associations appear as well in the case of business taxes (−0.51) and miscellaneous levies (−0.43). ***There is hence a*** *fairly strong general probability in municipal finance that high aggregate revenue yields will be associated with diminished levels of reliance upon provincial grants and vice versa. Yet there are two anomalies in these relationships: two of the most significant local revenue sources, namely the real property tax and the water and sewerage rate, are not systematically related to the fiscal dependency ratio in any statistical sense.* Each of these pair-relationships has the very low coefficient of −0.08 and −0.11 respectively. Initially, the Commission had considered that these latter associations would be much stronger than in fact they appear to be.

(iv) *Expenditure, Debt Levels and Provincial Grant Variables (88)*

We move next to another matrix set which presents the coefficients prevailing among the provincial grants per capita, total disposable revenue, fiscal dependency and the various expenditure and debt indicators. In addition, we have added, for the sake of comparison, a series including the number of municipal employees. This matrix has 88 cells and coefficients above the level of ±0.25 appear in 47 of them. As a general rule, therefore, this group of associations is slightly stronger than the one examined immediately above. The pair-relationships in this sector are as follows in Table A-13.

In descending order of their intensity, the strongest associations recorded in this area are listed below:

1.	(7) - (8)	Total Disposable Revenue and Total Expenditure	(0.84)
2.	(6) - (7)	Total Grant and Debt Charges	(0.84)
3.	(5) - (7)	Special Grant and Debt Charges	(0.82)
4.	(7) - (7)	Total Disposable Revenue and Debt Charges	(0.80)
5.	(4) - (6)	Water-Sewerage Subsidy and Utility Expenditure	(0.78)
6.	(6) - (8)	Total Grant and Total Expenditure	(0.76)
7.	(5) - (8)	Special Grant and Total Expenditure	(0.69)
8.	(7) - (6)	Total Disposable Revenue and Utility Expenditure	(0.65)
9.	(6) - (6)	Total Grant and Utility Expenditure	(0.58)
10.	(1) - (1)	Revenue Grant and General Government	(0.57)
11.	(7) - (9)	Total Disposable Revenue and Public Debt	(0.57)
12.	(4) - (8)	Water-Sewerage Subsidy and Total Expenditure	(0.56)
13.	(1) - (2)	Revenue Grants and Protection	(0.54)
14.	(7) - (1)	Total Disposable Revenue and General Government	(0.51)
15.	(4) - (7)	Water-Sewerage Subsidy and Debt Charges	(0.49)
16.	(3) - (2)	Revenue Plus Road Grants and Protection	(0.49)
17.	(1) - (4)	Revenue Grant and Sanitation	(0.48)
18.	(3) - (1)	Revenue Plus Road Grants and General Government	(0.47)
19.	(5) - (6)	Special Grant and Utilities	(0.46)
20.	(7) - (2)	Total Disposable Revenue and Protection	(0.44)
21.	(3) - (4)	Revenue Plus Road Grants and Sanitation	(0.43)
22.	(1) - (8)	Revenue Grant and Total Expenditure	(0.43)
23.	(8) - (1)	Municipal Fiscal Dependency and General Government	(−0.42)
24.	(7) - (11)	Total Disposable Revenue and Number of Municipal Employees	(0.41)

Table A-13: Matrix of Pearson Coefficients of Correlation Among Provincial Grants, Total Disposable Revenue, Municipal Fiscal Dependency and Local Expenditure — Debt Variables, Newfoundland Municipal Financial Survey, 1971

Provincial Grant Variables, T.D.R. and M.F.D. Local Expenditure and Debt Variables	**(1) Revenue Grant**	**(2) Road Grant**	**(3) Revenue and Road Grant**	**(4) Water-Sewerage Subsidy****	**(5) Special Grant**	**(6) Total Grant**	**(7) Total Disposable Revenue**	**(8) Municipal Fiscal Dependency**
(1) General Government	0.57	- 0.24	0.47	0.23	0.21	0.29	0.51	- 0.42
(2) Protection*	0.54	- 0.10	0.49	0.24	0.14	0.24	0.44	- 0.38
(3) Public Works	0.32	- 0.01	0.31	0.07	0.01	0.06	0.26	- 0.37
(4) Sanitation	0.48	- 0.12	0.43	0.15	0.09	0.16	0.39	- 0.28
(5) Recreation	0.33	- 0.12	0.28	0.11	0.04	0.09	0.20	- 0.20
(6) Utility	0.28	- 0.08	0.25	0.78	0.46	0.58	0.65	- 0.10
(7) Debt Charges	0.27	- 0.12	0.22	0.49	0.82	0.84	0.80	- 0.04
(8) Total Expenditure	0.43	- 0.07	0.39	0.56	0.69	0.76	0.84	- 0.20
(9) Public Debt	0.16	- 0.18	0.10	0.25	0.37	0.39	0.57	- 0.16
(10) Debt Ratio	0.14	- 0.13	0.09	0.34	0.33	0.36	0.37	- 0.13
(11) Number of Municipal Employees	- 0.03	- 0.29	- 0.13	- 0.02	0.11	0.08	0.41	- 0.35

Note: Grant series expressed in per capita terms; T.D.R. in per capita terms; M.F.D. (total grant as a percentage of total disposable revenue) Expenditure Variables expressed in per capita ratios; public debt in per capita terms; debt ratio (annual debt charge as a percentage of total local revenue)

*Exclusive of provincial expenditure on city police and fire services. **Contains that element of the revenue grant allocated to utilities.

An inspection of (vertical) column (6) in Table A-13 indicates that the association between total provincial grants per capita and the eight municipal expenditure categories achieves its greatest strength in the case of debt charges (0.84), total expenditure (0.76) and utility expenditures per capita (0.58). Total grants are related to the remaining areas of municipal expenditure either in a very weak or in an indifferent manner. Almost exactly the same general pattern is to be found in the case of the special grants and the water and sewerage subsidies. Quite a different pattern emerges, however, when the revenue and road grants are compared with municipal expenditure. The former grant is moderately associated with general government expenditures per capita (0.57), with protection (0.54) and sanitation (0.48) outlays. Unlike the case of water and sewerage subsidies or of the special grants, it is not strongly correlated with total expenditure (0.43). The road grant, on the other hand, has no consistent relationship with any of the expenditure series. As we should anticipate, there is a moderate to strong pattern of correlation among the expenditure variables and total disposable revenue per capita. The pair-relationships manifesting the closest connection with T.D.R. are total expenditure per capita (0.84), debt charges (0.80) and utility expenditures (0.65). (Vertical) column 8 of the table demonstrates an uneven and generally weak nexus between municipal fiscal dependency and the various expenditure series. *The Commission had not anticipated the very indifferent connection which has emerged between dependency ratio levels and per capita expenditures on utility operations (−0.10) debt charges (−0.04). In this area a stronger negative association was hypothesized.*

A final aspect of this comparison directs attention to the statistical relationships between the intensity of municipal debt and the level of grants, the total size of local budgets and the degree of reliance upon provincial fiscal support. It is evident that revenue and road grants are not associated in any manner with the debt series, whereas all other grants and their aggregate amount are only weakly correlated with them. There is some evidence of a moderate nexus between municipal debt per capita and the size of local budgets (0.57) but this relationship diminishes in strength when the debt ratio is correlated with total disposable revenue. Finally, there is no coherent association whatever between debt levels, however measured, and the degree of municipal reliance on provincial grants.

(v) *Provincial Grants, Total Disposable Revenue and Municipal Fiscal Dependency (28)*

It remains to take brief notice of the correlations which have been found among the grant yields, disposable local revenue and the fiscal dependency ratios. The matrix which includes these associations is presented in Table A-14.

Table A-14: Matrix of Pearson Coefficients of Correlation Among Provincial Grants, Total Disposable Revenue and Municipal Fiscal Dependency, Newfoundland Municipal Financial Survey, 1971

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) Revenue Grant	1.00							
(2) Road Grant	−0.08	1.00						
(3) Revenue and Road Grant	0.94	0.25	1.00					
(4) Water-Sewerage Subsidy	0.15	−0.04	0.14	1.00				
(5) Special Grant	0.02	−0.04	0.00	0.50	1.00			
(6) Total Grant	0.19	0.00	0.18	0.63	0.97	1.00		
(7) Total Disposable Revenue	0.35	−0.08	0.31	0.64	0.81	0.87	1.00	
(8) Municipal Fiscal Dependency	−0.40	0.09	−0.36	0.00	0.27	0.19	−0.22	1.00

Note: All series expressed per capita terms except the municipal fiscal dependency ratio.

Considered in relation to one another, provincial grants provided in 1971 to Newfoundland's municipalities did not exhibit, except in the additive sense, any marked statistical coherence. The revenue and the road grant, for example, are related to one another in an almost completely random fashion. Essentially the same condition holds with respect to these two grants and the special grant. (The road grant, indeed, has no significant relation with any other grant component.) There is a fairly strong connection, however, between water and sewerage subsidies and special grants. Naturally, there is also a strong association between special and total grants per capita, especially in a year such as 1971. Much the same reason explains the very high coefficients found in the pair-relationships involving total, special and water-sewerage grants on the one hand, and total disposable revenue on the other. The degree of auto-correlation in these series is very pronounced. But the revenue grant is not strongly related to total municipal budgetary levels per capita, nor is the road grant. It is also clear from Table A-14, finally, that the various grant elements, total grants and total municipal disposable revenue are related statistically to municipal dependency ratios in a most uneven manner. There is a moderately negative association between the size of the revenue grant per capita and the degree of municipal reliance on grants in general. But this relationship is almost neutral in the case of the water subsidy and the road grant, and only tenuously positive in the case of special and total grants. It is evident, lastly, that there exists only a mild but negative association between the total size of municipal budgets and the degree to which local governments depend upon the Province for fiscal support.

(c) **Regressions Among Service and Fiscal Variables** (90)

Correlation patterns as between the three main service indicators and the various fiscal measures indicate a somewhat stronger general association than that observed in previous sections. But it cannot be claimed that they display a strong general relationship. Since three service variables were related to 30 fiscal indicators, 90 coefficients were examined. Only eight of these numbers recorded associations in excess of 0.50, the highest being only 0.57. Some 25 of these coefficients (28%), on the other hand, were below the 0.25 level. These associations are detailed in Table A-15.

It is evident from these correlations that the general relationship in Newfoundland's municipal system between the yield of total locally raised revenue per capita and the principal service levels has achieved only a moderate degree of association. Among the three service indicators, for example, the coefficients linking them with revenue yields in the aggregate range from 0.42 to 0.52. Use of the real property and business taxes appears to be only weakly related to municipal service levels, (0.25-0.36) while the yields of fuel taxes, service fees, miscellaneous taxes and non tax revenues per capita do not bear any significant statistical relationship to service levels actually reported in 1971. These associations are much weaker than the Commission had projected they would be. Indeed, the correlation between water and sewerage rate yields per capita and water and sewerage service levels fails to attain a plateau of even 0.30. Approximately the same relationship is found in the case of outstanding taxes per capita and service levels.

Table A-15: Regression of Three Municipal Service Indicators Against Thirty Fiscal Variables (Pearson Coefficients), Newfoundland Municipal Financial Survey, 1971

VARIABLE*	% Houses with Water	% Houses with Sewerage	% Roads Paved
1. Real Property Tax	0.26	0.32	0.36
2. Business Tax	0.25	0.29	0.31
3. Fuel Tax	0.08	0.11	0.11
4. Service Fee	−0.16	−0.03	0.08
5. Water and Sewerage Rate	0.29	0.28	0.10
6. Miscellaneous Taxes	0.16	0.16	0.24
7. Total Taxes	0.47	0.53	0.42
8. Non-Tax Revenue	0.18	0.18	0.07
9. Total Local Revenue (own sources)	0.47	0.52	0.42
10. Outstanding Taxes	0.31	0.33	0.24
11. Local Tax Effort (1)	0.43	0.38	0.24
12. Revenue Grant	0.33	0.41	0.32
13. Road Grant	−0.18	−0.18	−0.20
14. Revenue Plus Road Grant	0.26	0.34	0.25
15. Water-Sewerage Subsidy	0.43	0.36	0.20
16. Special Grant	0.30	0.31	0.23
17. Total Grant	0.38	0.39	0.28
18. Total Disposable Revenue	0.52	0.55	0.39
19. Municipal Fiscal Dependency (2)	−0.29	−0.25	−0.27
20. General Government Expenditure	0.48	0.50	0.32
21. Protection	0.40	0.44	0.46
22. Public Works	0.22	0.28	0.19
23. Sanitation	0.33	0.45	0.33
24. Recreation	0.32	0.36	0.35
25. Utility	0.49	0.49	0.35
26. Debt Charges	0.44	0.44	0.36
27. Total Expenditure	0.54	0.57	0.46
28. Public Debt	0.40	0.39	0.28
29. Debt Ratio (3)	0.50	0.45	0.23
30. Number of Municipal Employees	0.19	0.21	0.17

(1) Tax-Reported Income in Community/Total Taxation
(2) Total Grant as a Percentage of Total Disposable Revenue
(3) Annual Debt Charges as a Percentage of Total Local Revenue

*All variables except 11, 19, 29, and 30 are per capita ratios.

Another pattern which was not hypothesized initially is found in the association between local tax effort and service levels. The former indicator, as noted above, relates the locally-raised revenue yield to the income available to the residents of each community as estimated in 1971. In other words, each municipality's tax yield per capita is divided into the larger community income per capita. The result of that division, in effect, produces a series for the entire sample which represents the amount of community income per $1.00 of local tax yield. Communities with high values in the series thus record a low tax effort, and *vice versa*. The local tax effort index, in other words, consists of numbers which bear an inverse relationship with fiscal intensity. *The Commission had believed initially that a very strong association would appear between local tax effort and the municipal service levels actually achieved. But in fact the degree of association in the water and sewerage sector achieves a level of only 0.43 and 0.38, respectively, whereas in the case of the road pavement ratio it falls to below 0.25*

When the relationship between municipal service levels and provincia grants per capita is examined, it is evident that once again the correlation patterns indicate associations that are not notably significant Total grants per capita, for example, correlate with water and sewerage service indicators only at the levels of 0.38 and 0.39, respectively. Among the grant components it is noted that the highest degree of association is found between the water and sewerage subsidy per capita and the service series which contains the percentage ratios of houses connected to public water systems (i.e., 0.43). It should be observed as well that the road grant bears an inverse relationship with service levels, but again the association pattern is almost insignificant from a statistical standpoint.

When locally raised revenues and total grants per capita are aggregated and related to service levels, a somewhat stronger pattern of association emerges. It is recorded in Table A-15 at levels that range between 0.55 (sewerage ratio) and 0.39 (pavement ratio). On the other hand, when municipal fiscal dependency is correlated with service levels, the expected negative coefficient appears. But this latter association is much weaker than initially projected and ranges from a high of only 0.29 to a low of 0.25.

There are few comments required in respect of the expenditure, debt and other fiscal indicators as they relate to local service levels in Newfoundland, except to note the absence of any strong connection between road pavement ratios and the per capita outlays on public works. The expected positive correlations among utility and annual debt service expenditures, total expenditures, public debt and debt-ratio emerge clearly in the comparisons but again at levels of intensity which are below those originally projected. There is virtually no coherent relationship between service levels and the size of municipal staffs employed in the communities included in the survey.

(c) **Regressions Among Service and Environmental Variables** (45)

When the seven environmental series and the three service indicators were regressed against one another, generally weak correlation patterns emerged. In this instance, coefficients for 45 pair-relations were produced, of which only three are above the 0.50 level. Moreover, these strong associations are more the result of natural consequences than of human design. The results of this analysis are presented in Table A-16.

Table A-16: Matrix of Pearson Coefficients of Correlation Among Ten Environmental and Municipal Service Variables, Newfoundland Municipal Financial Survey, 1971

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) Population, 1971	1.00									
(2) Population Increase, 1966-1971	−0.01	1.00								
(3) Public Road Mileage	0.79	−0.03	1.00							
(4) Density (Houses Per Mile of Public Road)	0.48	0.10	0.14	1.00						
(5) Community Income Per Capita	0.32	0.29	0.28	0.32	1.00					
(6) Short-Term Social Assistance Per Capita	−0.04	−0.16	−0.14	0.09	−0.43	1.00				
(7) Long-Term Social Assistance Per Capita	−0.11	−0.17	−0.21	−0.11	−0.37	0.73	1.00			
(8) Percentage of Houses with Water Service	0.20	0.16	0.17	0.36	0.17	−0.23	−0.33	1.00		
(9) Percentage of Houses with Sewerage Service	0.23	0.20	0.23	0.40	0.25	−0.28	−0.38	0.82	1.00	
(10) Percentage of Roads Paved	0.20	0.18	0.14	0.27	0.45	−0.26	−0.24	0.33	0.39	1.00

It is evident that, as anticipated, the strongest pair-associations emerge as follows:

1.	(8) - (9)	Water Service and Sewerage Service	(0.82)
2.	(1) - (3)	Population Size and Public Road Mileage	(0.79)
3.	(6) - (7)	Short- and Long-Term Social Assistance Payments	(0.73)
4.	(1) - (4)	Population Size and Density	(0.48)
5.	(5) - (10)	Income Per Capita and Road Pavement Ratio	(0.45)
6.	(5) - (6)	Income Per Capita and Short-Term Assistance	(−0.43)
7.	(4) - (9)	Density and Sewerage Service	(0.40)
8.	(9) - (10)	Sewerage Service level and Road Pavement Ratio	(0.39)
9.	(7) - (9)	Long-Term Social Assistance and Sewerage Service	(−0.38)
10.	(5) - (7)	Income Per Capita and Long-Term Social Assistance	(−0.37)
11.	(4) - (8)	Density and Water Service	(0.36)
12.	(7) - (8)	Long-Term Assistance and Water Service	(−0.33)
13.	(8) - (10)	Water Service and Road Pavement Ratio	(0.33)
14.	(4) - (5)	Density and Income Per Capita	(0.32)
15.	(1) - (5)	Population Size and Income Per Capita	(0.32)
16.	(2) - (5)	Population Increase and Income Per Capita	(0.29)
17.	(6) - (9)	Short-Term Assistance and Sewerage Service	(−0.28)
18.	(3) - (5)	Road Mileage and Income Per Capita	(0.28)
19.	(4) - (10)	Density and Road Pavement Ratio	(0.27)
20.	(5) - (9)	Income Per Capita and Sewerage Service	(0.25)

The association patterns among these indicators become progressively weaker as we move down the list from 8 through 20, above. Among these latter coefficients the Commission had hypothesized somewhat stronger correlations, particularly among such pairs as 10, 11, 14, 15, 16, 18, 19 and 20. It was indeed quite a surprise to discover that water service levels were associated with density (pair 11) only at 0.36, and with the other variables as follows: population size (0.20); population increase (0.16); road mileage (0.17), income per capita (0.17) and short-term social assistance (−0.23). It should be observed, finally, that of the 45 pairs in the matrix, fully 25 (55.5%) were below the ±0.25 level. These association patterns serve to qualify, rather severely in some instances, the apparently stronger relationships which emerged when the averaged material was presented earlier in terms of the five main breakdown categories.

4. Factor Analysis of Municipal Fiscal Variables

"It is for the collectors of data to know the fact and for the mathematicians to establish the reason." (Aristotle, *The Organum*). In pursuing this inquiry, the Commission has been interested solely in securing a reasonably broad and reliable base of information upon which to formulate its recommendations in the fiscal sector. It has not sought the "fundamental explanations" of municipal financial phenomena. Such an objective would obviously have required attention in detail to the various risk factors inherent in inductive generalizations concerning the nature of imperfect, conditional and other patterns of association, variation and co-variation. No member of the Commission, moreover, is either a mathematician or statistician. In view of the time limitation imposed, it was decided to confine the investigation essentially to linear, two-variable correlation and regression analysis. Accordingly, we have summarized the results of the 1971 municipal financial survey in simple coefficients of linear correlation, without including the added measures of significance attaching to them, and without developing the many possible refinements involving measures of the form, strength and accuracy in the numerous pair-relationships examined (e.g., the coefficients of determination and of alienation). During the course of the work, however, many of the "scatter plots" produced by the computer indicated that municipal financial reality frequently does not resemble a "linear world". There also emerged a considerable body of evidence which suggested the existence of multiple correlation patterns involving the interplay of more than two indicators. With one exception, we have decided to leave the full explanation or "postdiction" of these basic patterns to others.

That exception, however, is of some importance; it is an exercise confined to the principal fiscal indicators and undertaken on the Commission's behalf by Professor Michael Wallack, in which a form of "factor analysis" was performed on the following statistical series:

(1) The per capita yields of Newfoundland municipal taxes for 1971, supplemented by average local tax yields in the years between 1968 and 1972 (12 series);

(2) the per capita levels of municipal expenditure as recorded in 1971 (7 series);

(3) the per capita yields of provincial grants to municipalities during 1971 (4 series);

(4) the percentage contribution of each category of municipal taxation to total local revenue in 1971, supplemented by the average patterns found for the period from 1968 to 1972 (13 series).

Factor analysis may be described as a "data reduction" method of some use in situations where "theory" is either absent or weak, but where data are extensive. It seeks to identify clusters of variables by the successive isolation of the sources of their variance. While the basic statistical procedure upon which factor analysis is based does not depend upon computers, its application does require electronic manipulation of the input information. This method of analysis, whose results are summarized below, is known in technical language as "principal component analysis with varimax orthogonal rotation". Its purpose is to determine the extent to which a large number of variables may be represented by a smaller number of common "factors". These factors, it is claimed, are exact mathematical transformations of the original series from which they are derived. Each factor set represents that smallest set of mutually independent factors that incorporate or reflect all of the variance in the original series. If a single factor is generated from the analysis of a number of variables, it may then be possible to assume that the behaviour of the entire set of indicators reflects some single underlying characteristic or process. But if, at the other extreme, each separate variable generates its own factor, it might then be assumed that each series describes a different basic characteristic.

(i) *Municipal Taxation Yields Per Capita, 1968-72*

Analysis of the 12 municipal taxation series generates five distinct factors, as shown in Table A-17.

Table A-17: Varimax Rotated Factor Matrix: Municipal Tax Yields Per Capita 1968-1972

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Property Tax	0.07	0.01	0.02	0.02	0.59
Business Tax	0.18	0.01	0.03	0.37	0.25
Fuel Tax	0.13	0.02	0.03	0.65	0.37
Service Fee	0.67	0.01	0.01	0.02	0.07
Water Rate	0.02	0.00	0.71	0.02	0.00
Other Taxes	0.04	0.74	0.00	0.03	0.15
Av. Prop. Tax	0.07	0.01	0.02	0.04	0.58
Av. Business Tax	0.18	0.00	0.07	0.36	0.26
Av. Fuel Tax	0.07	0.01	0.03	0.55	0.05
Av. Service Fee	0.67	0.00	0.01	0.02	0.04
Av. Water Rate	0.00	0.00	0,70	0.02	0.02
Av. Other Taxes	0.05	0.67	0.00	0.04	0.16

Transformation Matrix

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Factor 1	0.02	0.27	0.29	0.68	0.62
Factor 2	0.78	0.04	0.26	0.31	0.48
Factor 3	0.07	0.73	0.53	0.39	0.13
Factor 4	0.36	0.57	0.73	0.04	0.13
Factor 5	0.51	0.26	0.18	0.53	0.60

(Factor Score Coefficients are Indeterminate)
(Factor Analysis Print-out, p. 13)

The first three factors are alike in that each is strongly related to a single pair of variables: *factor 1* is related to 1971 service fees and average service fees; *factor* 2 reflects other taxes and average other taxes; *factor 3* is most strongly related to water rates and average water rates.

We thus conclude, that each of these three factor pairs represents a relatively independent revenue source. The fact that the 1971 and the average variables have virtually identical loadings indicates that the 1971 values of these variables are good predictors of their longer-term values.

The last two factors display a more complex interrelationship between the variables. *Factor 4* shows a strong fuel tax and average fuel tax loading with a significant business and average business tax loading. *Factor* 5 displays a strong property tax loading with a significant business tax and a significant *negative* fuel tax loading. The interrelationship between these two factors indicates that the property tax and the fuel tax are in a virtual trade-off relationship, with the business tax somewhat more strongly associated with the high fuel tax-low property tax pattern than with its opposite.

(ii) *Municipal Expenditure Levels, 1971*

Analysis of the seven municipal expenditure series generates only two factors, as shown in Table A-18:

Table A-18: Varimax Rotated Factor Matrix: Municipal Expenditures Per Capita 1971

	Factor 1	Factor 2
General Government	0.72	0.40
Protection	0.51	0.48
Public Works	0.82	0.09
Sanitation	0.31	0.40

Recreation	**0.69**	**0.14**
Utilities	**0.10**	**0.77**
Debt Charges	**0.14**	**0.64**

Transformation Matrix

	Factor 1	**Factor 2**
Factor 1	**0.78**	**0.62**
Factor 2	**0.62**	**0.78**

***(Factor Analysis Print-Out,* p. 60)**

Each factor is a complex transformation of the initial seven variables. *Factor 1* exhibits strong loadings for per capita public works expenditures, general government expenditures, recreation expenditures and protection expenditures, with a weaker loading for sanitation expenditures per capita. *Factor 2* contains a strong loading for utility and debt charge expenditures, with somewhat lower loadings for protection, general government and sanitation expenditures per capita.

From this analysis it can be concluded that there is a strong trade-off between utility and debt charge expenditures, on the one hand, with recreation, public works and general government expenditures on the other. The relationship is nearly linear, moreover, with high utility and debt charge outlays systematically associated with low public works and recreation expenditures.

(iii) *Municipal Grants Per Capita*

Analysis of the four main series in this area generates three separate factors, as shown in Table A-19.

Table A-19: Varimax Rotated Factor Matrix: Provincial Grants Per Capita, 1971

	Factor 1	**Factor 2**	**Factor 3**
Revenue Grant	**0.99**	**0.07**	**0.12**
Road Grant	**0.04**	**0.03**	**0.99**
Water-Sewerage Subsidy	**0.11**	**0.62**	**0.02**
Special Grant	**0.04**	**0.82**	**0.01**

Transformation Matrix

	Factor 1	**Factor 2**	**Factor 3**
Factor 1	**0.98**	**0.16**	**0.12**
Factor 2	**0.03**	**0.70**	**0.71**
Factor 3	**0.20**	**0.70**	**0.69**

***(Factor Analysis Print-Out,* p. 48)**

Factor 1 above reflects the revenue grant per capita. *Factor 2* combines water-sewerage subsidies and special grants per capita. *Factor 3* isolates the road grant per capita. This exercise seems to suggest, therefore, that the revenue and road grants are statistically independent of each other and of the third factor which combines water-sewerage subsidies and special grants. The Commission anticipated the first relationship, because of grant formula differences and the low correlation coefficients which were produced when the two series were regressed against each other. The latter relationship between subsidies and special grants per capita was less obvious, since the correlation coefficients presented earlier for these series had attained the moderate level of only 0.50.

(iv) *Tax Contribution Ratios of Various Municipal Taxes, 1971 and 1968-1972*

This comparison involves 13 municipal tax series which include the percentage contributions made by different levies to total local taxation during 1971 and for the period 1968-1972. Five factors emerge from this analysis, two with relatively simple patterns of variable loadings, and three demonstrating more complex patterns. The results are shown in Table A-20.

Table A-20: Varimax Rotated Factor Matrix: Percentage Contribution of Various Municipal Taxes, 1971 and 1968-1972

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Outstanding Taxes	0.21	0.10	0.39	0.34	0.07
Real Property Tax	0.33	0.27	0.11	0.36	0.23
Business Tax	0.10	0.09	0.57	0.01	0.03
Fuel Tax	0.02	0.02	0.00	0.64	0.06
Service Fee	0.02	0.02	0.00	0.01	0.70
Water-Sewerage Rates	0.53	0.12	0.16	0.08	0.07
Other Taxes	0.07	0.63	0.06	0.05	0.04
Real Property Tax (Av.)	0.53	0.16	0.33	0.09	0.05
Business Tax (Av.)	0.09	0.07	0.57	0.03	0.01
Fuel Tax (Av.)	0.07	0.05	0.01	0.56	0.05
Service Fee (Av.)	0.08	0.04	0.04	0.07	0.67
Water-Sewerage Rate (Av.)	0.50	0.15	0.21	0.06	0.03
Other Taxes (Av.)	0.05	0.66	0.06	0.03	0.02

Transformation Matrix

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Factor 1	0.51	0.24	0.57	0.54	0.27
Factor 2	0.11	0.56	0.41	0.24	0.67
Factor 3	0.59	0.59	0.23	0.39	0.31
Factor 4	0.60	0.52	0.53	0.28	0.11
Factor 5	0.15	0.12	0.41	0.65	0.61

(Factor Score Coefficients are Indeterminate)
Factor Analysis Print-Out, p. 30)

Factor 2 reflects emphasis on other taxes and average other taxes. Smaller negative loadings on water rates and property taxes indicate some tendency for places with distinctively high reliance on other taxes to be below average in the proportion of their total taxes collected by means of water rates and property taxes. *Factor 5* reflects the emphasis upon service fees. The small loading on the property tax variable for this factor indicates that places where service fees predominate, also show some tendency to obtain a larger than average proportion of their total taxes from property taxes. *Factor 1* is a complex factor primarily composed of *negative* water rate loading and positive property tax loading. This factor indicates a distinctive tax pattern composed of inversely related water rates and property taxes. The outstanding tax variable shows some loading on this factor. *Factor 3* is a complex factor primarily composed of business taxes negatively loaded, together with average water rates, and average property taxes positively loaded. The outstanding tax series is most strongly loaded on this variable, indicating that there is a tendency for places with less than usual use of the business tax to have greater than usual uncollected taxes. *Factor 4* is a complex factor composed of positive fuel tax loadings and a negative property tax loading. There is also a positive loading of the outstanding tax variable which indicates that places relying mainly on fuel taxes tend to have larger than average proportional outstanding taxes.

The results of this special study show that there exists in Newfoundland's municipalities a relatively complex mix of taxation patterns, with considerable trade-offs found among the real property, business, fuel and water levies. This conclusion tends to confirm the earlier evidence which suggested low levels of statistical association among the various fiscal series. Factor analysis also indicates that the fiscal variables used in the 1971 sample are not significantly different in their behaviour than the averaged data included for the 1968-1972 period.

5. Rank-Order Analysis of Municipal Tax Effort, 1971

This section concludes the first part of the inquiry on municipal financial activity based upon the audited accounts of Newfoundland's major local governments during the 1971 fiscal year. We now focus attention upon the income-related taxation intensity of municipalities. The Commission has described in some detail the nature of the municipal tax effort index used in this report. It will not, therefore, repeat that description. It is sufficient to say that the tax effort index is quite a different measure than the total taxation yield per capita reported by municipalities. In fact, it is constructed by dividing the latter figure into the per capita income of the residents of the communities included in the survey. Tax effort, then, is tax yield as a proportion of the earned income of municipal ratepayers reported in their 1971 federal income tax returns. The *higher* the coefficient resulting from the division, that is to say, the *lower* the local fiscal effort exerted by the municipality. While the correlations among this index number and other variables for all communities have been noted above, a more detailed examination of all prevailing relationships among it and certain municipal revenue and provincial grant indicators was deemed to be necessary.

The method of statistical investigation used in this case differs from those used in the two previous sections. Regression analysis is not employed; it was considered that the rank-ordering technique would reveal important characteristics of Newfoundland's municipal finance which were not noted previously. Use of the latter method, it was also felt, should enable us to illustrate concretely, with reference to actual municipal budgets, some of the statistical patterns noted above.

It was shown in a previous section that municipal tax effort in Newfoundland generally is not strongly associated with population size or growth, community density, community per capita income or social assistance payments. Except to a moderate degree in the case of water service levels, it does not have any strong general relationship with service levels in general. While local tax effort does manifest a strong connection with property tax yields, it is not significantly related to other local revenue yields. Only moderate coefficients are found in its association with water-sewerage rates and with total revenue yields. Moreover, local tax effort is not closely related to provincial grant allocations (except to a moderate degree in the *case of water and sewerage subsidies), to municipal expenditure categories (except to a moderate degree in the case of utility and overall expenditure outlays), or to debt levels and the size of local government staffs.* While it is of considerable importance to know that such a pattern exists in a general statistical sense, it is also of interest to know more concretely how (in the case of individual municipalities) variations in local tax effort are related to population, income per capita, municipal revenue yields, provincial grants and the degree of fiscal dependency. In order to examine these matters more fully, the Commission ranked 70 towns (including the two local improvement districts of Labrador City and Wabush) in terms of their *inverse* order on the tax effort index. This exercise yielded five tax effort town groups, each containing 14 municipalities, which indicate the units imposing income-related taxation of the highest, above-average, average, below-average and lowest intensity during 1971. The two city units were added separately; as expected, they fell into the group with the highest tax effort, Corner Brook ranking second and St. John's fourth in the entire array of municipalities included in this survey. The rank-ordering of Newfoundland's local governments is presented in Table A-21. For each tax effort group, the range and average levels of local tax yields per capita, the grants received per capita, the grant impact index and level of fiscal dependency are also indicated. (The grant impact is a measure developed by the Commission and not previously mentioned in this Annex. For each community in the sample, it indicates the total grants received in 1971 per $1.00 of local revenue raised by taxation.)

The limits and averages for all 72 municipalities included in the survey are summarized at the bottom of the table. It is apparent from this survey that very large variations exist in Newfoundland's system of municipal finance. Tax yields per capita, for example, ranged from $1.32 in Gaultois to $93.45 in Corner Brook. The average yield for all 72 units was $19.08 recorded in Bishop's Falls. Per capita grant allocations ranged even more widely: from $3.37 in Gaultois to $163.97 in St. Lawrence. 1971 was obviously a very special budgetary year for the latter town, since the sample's average total grant amounted to only $31.02 received by Clarenville. In view of this distribution pattern, the grant impact index shows a similarly extreme variation. Grants received per dollar of local taxation revenue ranged from a low of $0.18 in Labrador City to a high of $8.35 in St. Lawrence. The average grant impact figure was $2.22 recorded in Bay Roberts. Across the sample as a whole there are similar extreme values noted with respect to the degree of reliance upon municipal grants. Provincial budgetary support was lowest in Labrador City (12.3%), highest in St. Lawrence (86.5%) and attained its average level in Burin (57.2%).
(It should be noted that this latter ratio is somewhat lower than that reported earlier, namely 63.3 per cent for the entire sample. This difference is accounted for by the exclusion from this aspect of the study of about 40 smaller, more dependent municipalities for which income data were not obtained.)

Table A-21: Local Tax Effort in 72 Newfoundland Cities and Towns Related to Tax Yields, Grant Allocations and Impact, and Municipal Fiscal Dependency, 1971

Municipalities Ranked in Order of Local Tax Effort: (Local Tax Effort = Average Tax Reported Income Per Capita Divided by Local Tax Yield Per Capita)	**Tax Yield Per Capita** (Limits and Averages)	**Grants Per Capita** (Limits and Averages)	**Grant Impact Index** (Grant Values per $1.00 of Total Tax) (Limits and Averages)	**Fiscal Dependency on Grants** (Limits and Averages)
Group 1: Highest	$	$	$	%
(1) Robert's Arm (2) South Brook	8.90 South Brook	13.24 Grand Falls	0.19 Grand Falls	15.3 Grand Falls
(3) Harbour Grace (4) Grand Falls	34.97 Springdale	32.68 Harbour Grace	1.53 Marystown	47.7 Harbour Grace
(5) Lewisporte (6) Jerseyside (7) Windsor	69.90 Grand Falls	90.22 Winterton	4.09 Winterton	79.7 Winterton
(8) Marystown (9) Springdale (10) Gander				
(11) Wabush (12) Winterton (13) Fortune				
(14) Belleoram				
Group 2: Above Average				
(15) Wesleyville (16) St. Anthony	16.59 Wesleyville	11.43 Labrador City	0.18 Labrador City	12.3 Labrador City
(17) Happy Valley (18) Grand Bank	28.54 Carbonear	54.36 Glovertown	2.66 St. Anthony	61.6 Happy Valley
(19) Carbonear (20) Harbour Breton	64.40 Labrador City	163.97 St. Lawrence	8.35 St. Lawrence	79.4 Badger
(21) Badger (22) Burgeo (23) Deer Lake				
(24) Channel- Port aux Basques				
(25) Glovertown (26) St. Lawrence				
(27) Freshwater (28) Labrador City				
Group 3: Average				
(29) Stephenville (30) Clarenville	6.67 Fogo	9.11 Fogo	0.35 Baie Verte	25.5 Baie Verte
(31) Glenwood (32) Bishop's Falls	19.41 Burin	27.49 Burin	1.79 Bishop's Falls	47.7 Stephenville Crossing
(33) Stephenville Crossing (34) Dunville				
(35) LaScie (36) Englee (37) Baie Verte	71.35 Baie Verte	111.14 Dunville	6.18 Dunville	79.0 Dunville
(38) Burin (39) Placentia (40) Ramea				
(41) Bonavista (42) Fogo				
Group 4: Below Average				
(43) St. Alban's (44) Lawn (45) Trepassey	4.68 Hare Bay	7.52 Hare Bay	1.13 Bay Roberts	50.1 Trepassey
(46) Elliston (47) Arnold's Cove	7.33 Arnold's Cove	18.24 Lawn	2.63 Arnold's Cove	60.2 Arnold's Cove
(48) Change Islands (49) Little Catalina	15.61 Twillingate	49.19 Pasadena	6.30 Change Islands	80.1 Wabana
(50) Hare Bay (51) Wabana (52) Twillingate				
(53) Pasadena (54) Bay Roberts				
(55) Roddickton (56) Port Union				

Table A-21: Local Tax Effort in 72 Newfoundland Cities and Towns Related to Tax Yields, Grant Allocations and Impact, and Municipal Fiscal Dependency, 1971

Municipalities Ranked in Order of Local Tax Effort: (Local Tax Effort = Average Tax Reported Income Per Capita Divided by Local Tax Yield Per Capita)	**Tax Yield Per Capita** (Limits and Averages)	**Grants Per Capita** (Limits and Averages)	**Grant Impact Index** (Grant Values per $1.00 of Total Tax) (Limits and Averages)	**Fiscal Dependency on Grants** (Limits and Averages)
	$	$	$	%
Group 5: Lowest				
(57) St. George's (58) Cupids (59) Lamaline (60) South Brook (61) Spaniard's Bay (62) Musgrave Harbour (63) Pouch Cove (64) Catalina (65) Pt. Leamington (66) Clarke's Beach (67) Holyrood (68) Whitbourne (69) Brigus (70) Gaultois	1.32 Gaultois 6.40 Holyrood 9.92 Cupids	3.37 Gaultois 19.61 South River 38.99 Brigus	1.27 St. George's 3.18 Holyrood 5.25 Pouch Cove	40.1 St. George's 68.0 Gaultois 81.1 Pt. Leamington
Group 6: Highest				
1(A) Corner Brook 2(A) St. John's (The two cities follow the towns of Robert's Arm and South Brook respectively)	92.82 St. John's 93.45 Corner Brook	32.12 Corner Brook 38.29 St. John's	0.34 Corner Brook 0.41 St. John's	23.6 Corner Brook 27.4 St. John's
All 72 Municipal Units	1.32 Gaultois 19.08 Bishop's Falls 93.45 Corner Brook	3.37 Gaultois 31.02 Clarenville 163.97 St. Lawrence	0.18 Labrador City 2.22 Robert's Arm 8.35 St. Lawrence	12.3 Labrador City 57.2 Burin 86.5 St. Lawrence

Sources: Personal Income Data supplied by the Treasury Board Secretariat;
Budgetary Data from the 1971 Audited Statements of Municipalities.

Table A-22 (A-E) is a long, five-part presentation of Newfoundland iscal detail indicating — with reference to the 70 town budgets — how in 971 levels of local tax effort were related to population, income, social ssistance payments, tax yields, provincial grant allocations, total budgets nd municipal fiscal dependency. Each page of the Table includes the owns ranked in order of their income-related taxation intensity levels. At he bottom of each page will be found the group averages, the mean deviations and the rank-order correlation coefficients for the 11 vertical columns. The bracketed figures represent the rank-order numbers for each item in hese columns. Reference to Table A-22 (A) indicates that among the 14 municipalities with the highest tax effort in the sample, the average unit population was 3,284. This average however included a substantial variation which ranged from a high of 7,748 (Gander) to a low of 530 (Belleoram). The mean deviation for group population (column 1) amounted to 1,997. (This latter figure is an average of the difference between each municipality's population and the average population for the group as a whole. Mean deviations thus measure the degree of variation found among the figures in each of the Table's vertical columns.) The rank-order coefficient of correlation between municipal tax effort and population size is 0.08. This measure of association was computed manually for all columns in the five tables in accordance with the following formula:

$$Rr = 1 - \frac{6\,d^2}{N^3 - N}$$

The coefficient of rank-order correlation thus provides an approximate but sufficient measure of the association which was found among the tax efforts exerted in 1971 by the different municipalities and their population, income per capita, grants per capita, and so on. It is derived in accordance with quite a different formula than that used to obtain the correlations in the previous section. The degree of association in this case is calculated by reference to the differences found among the bracketed rank-order numbers in accordance with the above formula. As we have just indicated, the relationship between municipal tax effort and unit population found among the towns listed in Table A-22 (A) was measured at the 0.08 level. The coefficient thus suggests that among this group there was virtually no association between the level of tax effort and the size of the towns within it. Moving across the coefficients at the bottom of the remaining ten columns of the Table, it is apparent that for those towns with the highest tax effort, very weak associations prevail among municipal tax effort and all other variables. It is evident, for example, that the largest coefficient is found between local tax effort and the level of water-sewerage subsidy payments per capita (−0.25). This figure indicates a very *slight* tendency for the level of these grants to *fall* as local tax effort *rises*. When total grants per capita are considered, however, exactly the opposite trend is apparent: there is a very *slight* tendency (0.24) for total grants to *rise* as local tax effort *rises*.

Table A-22 (A): Newfoundland Municipal Tax Effort and Population, Income Per Capita, Social Assistance Per Capita, Tax Yields and Grants, Total Disposable Revenue and Municipal Fiscal Dependency, 1971 Sample of Major Town Budgets

Municipality	(1) Population	(2) Income Per Capita	(3) Social Assistance Per Capita	(4) Tax Yield Per Capita	(5) Revenue and Grants Per Capita	(6) Water-Sewerage Subsidy Per Capita	(7) Sub-Total	(8) Special Grants Per Capita	(9) Total Grants Per Capita	(10) Total Disposable Revenue Per Capita	(11) Municipal Fiscal Dependency (9) as % of (10)
Group 1: Highest Tax Effort		$	$	$	$	$	$	$	$	$	%
(1) 1. Robert's Arm	1,044 (11)	223 (13)	70 (2)	15.65 (12)	8.03 (12)	8.28 (6)	16.31 (8)	18.40 (5)	34.71 (5)	54.21 (12)	64.0 (3)
(2) 2. South Brook	802 (12)	167 (14)	52 (5)	8.40 (14)	8.29 (11)	4.73 (11)	13.02 (11)	2.37 (10)	15.39 (11)	26.55 (13)	58.0 (6)
(3) 3. Harbour Grace	2,771 (8)	1,438 (6)	66 (3)	39.93 (5)	18.52 (2)	5.54 (8)	20.06 (5)	8.62 (7)	32.68 (7)	78.23 (5)	41.8 (10)
(4) 4. Grand Falls	7,677 (2)	3,592 (1)	12 (12)	69.90 (1)	9.72 (8)	2.47 (13)	12.19 (12)	1.55 (11)	13.74 (13)	90.02 (4)	15.3 (14)
(5) 5. Lewisporte	3,175 (7)	1,777 (4)	36 (10)	43.96 (4)	20.55 (1)	11.42 (3)	31.97 (1)	9.21 (6)	41.18 (3)	93.12 (2)	44.2 (8)
(6) 6. Jerseyside	1,061 (10)	778 (11)	38 (9)	19.02 (11)	8.63 (10)	9.18 (4)	17.81 (7)	33.11 (2)	50.92 (2)	74.26 (6)	68.6 (2)
(7) 7. Windsor	6,644 (3)	1,317 (8)	47 (6)	32.07 (7)	8.82 (9)	4.99 (9)	13.81 (10)	19.05 (4)	32.86 (6)	69.71 (8)	47.1 (7)
(8) 8. Marystown	4,960 (4)	1,120 (9)	47 (7)	26.58 (9)	13.29 (4)	2.71 (12)	16.00 (9)	24.60 (3)	40.60 (4)	67.26 (9)	60.4 (5)
(9) 9. Springdale	3,224 (6)	1,552 (5)	39 (8)	34.97 (6)	12.73 (5)	11.43 (2)	24.16 (3)	0.38 (13)	24.54 (10)	61.29 (11)	40.0 (11)
(10) 10. Gander	7,748 (1)	2,438 (3)	10 (13)	54.72 (3)	12.00 (6)	- (14)	12.00 (13)	1.28 (12)	13.28 (14)	71.02 (7)	18.7 (13)
(11) 11. Wabush	3,387 (5)	3,508 (2)	2 (14)	86.30 (2)	16.80 (3)	7.95 (7)	24.75 (2)	- (14)	24.75 (9)	93.02 (3)	26.6 (12)
(12) 12. Winterton	794 (13)	1,034 (10)	60 (4)	21.83 (10)	7.99 (13)	15.23 (1)	23.22 (4)	67.00 (1)	90.22 (1)	113.21 (1)	79.7 (1)
(13) 13. Fortune	2,164 (9)	1,409 (7)	26 (11)	29.73 (8)	10.77 (7)	8.80 (5)	19.57 (6)	8.29 (8)	27.86 (8)	63.46 (10)	43.9 (9)
(14) 14. Belleoram	530 (14)	421 (12)	201 (1)	8.99 (13)	4.75 (14)	4.93 (10)	9.68 (14)	5.28 (9)	14.96 (12)	24.14 (14)	62.0 (4)
Group Average	3,284	1,484	50	33.72	11.49	6.96	18.47	14.22	32.69	69.97	47.9
Mean Deviation	1,997	778	28	15.36	3.56	3.07	4.99	12.92	13.48	17.59	15.1
Rank Order Correlation Coefficient (Rr)	0.0813	−0.1516	0.1956	−0.0418	0.1121	−0.2527	−0.0220	0.0440	0.2396	−0.0198	0.0022

Note: The difference between the sums of the amounts in columns (4) and (9) and the total amounts set out in column (10) is accounted for by small yields of municipal non-tax revenue.

Table A-22 (B):

Municipality	(1) Population	(2) Income Per Capita	(3) Social Assistance Per Capita	(4) Tax Yield Per Capita	(5) Revenue and Road Grants Per Capita	(6) Water-Sewerage Subsidy Per Capita	(7) Sub-Total	(8 Special Grants Per Capita	(9) Total Grants Per Capita	(10) Total Disposable Revenue Per Capita	(11) Municipal Fiscal Dependency (9) as % of (10)
Group 2: Above Average Tax Effort		$	$	$	$	$	$	$	$	$	%
(15) 1. Wesleyville	1,142 (14)	792 (14)	25 (10)	16.54 (14)	9.96 (9)	7.76 (5)	17.72 (7)	20.09 (7)	37.81 (7)	56.30 (12)	67.2 (6)
(16) 2. St. Anthony	2,593 (7)	1,446 (7)	22 (13)	30.17 (4)	9.38 (10)	13.98 (1)	23.36 (2)	63.11 (3)	86.47 (3)	117.08 (3)	73.9 (5)
(17) 3. Happy Valley	4,937 (3)	1,682 (2)	33 (8)	33.31 (2)	11.39 (5)	6.53 (9)	17.92 (6)	42.56 (4)	60.48 (4)	95.13 (4)	63.6 (7)
(18) 4. Grand Bank	3,476 (6)	1,505 (5)	31 (9)	30.57 (4)	12.09 (2)	6.15 (10)	18.24 (5)	1.10 (12)	19.34 (12)	56.38 (11)	34.3 (13)
(19) 5. Carbonear	4,732 (4)	1,471 (6)	22 (12)	26.54 (7)	11.08 (7)	7.19 (7)	18.27 (4)	- (13)	18.27 (13)	48.08 (13)	38.0 (12)
(20) 6. Harbour Breton	2,196 (9)	1,087 (10)	77 (1)	20.71 (9)	7.38 (14)	9.44 (3)	16.82 (8)	18.81 (8)	35.63 (9)	64.11 (9)	55.6 (9)
(21) 7. Badger	1,187 (13)	1,325 (8)	56 (5)	24.47 (8)	11.11 (6)	12.32 (2)	23.43 (1)	83.12 (2)	106.55 (2)	134.28 (2)	79.3 (2)
(22) 8. Burgeo	2,226 (8)	1,006 (12)	58 (4)	18.11 (11)	8.17 (12)	7.23 (6)	15.40 (11)	42.05 (5)	57.45 (5)	77.08 (6)	74.5 (3)
(23) 9. Deer Lake	4,421 (5)	1,646 (3)	48 (6)	29.71 (5)	14.83 (1)	7.16 (8)	21.99 (3)	14.35 (11)	36.34 (8)	73.11 (8)	49.7 (10)
(24) 10. Channel - Port-aux-Basques	5,942 (2)	1,626 (4)	23 (11)	29.22 (6)	11.70 (3)	3.21 (13)	14.91 (12)	14.49 (10)	29.40 (10)	63.11 (10)	46.6 (11)
(25) 11. Glovertown	1,915 (11)	1,034 (11)	42 (7)	17.40 (12)	7.54 (13)	7.91 (4)	15.45 (10)	38.91 (6)	54.36 (6)	74.14 (7)	73.3 (4)
(26) 12. St. Lawrence	2,173 (10)	1,181 (9)	73 (2)	19.63 (10)	10.69 (8)	4.77 (11)	15.46 (9)	148.50 (1)	163.96 (1)	189.69 (1)	86.4 (1)
(27) 13. Freshwater	1,562 (12)	1,004 (13)	70 (3)	16.78 (13)	8.72 (11)	4.61 (12)	13.33 (13)	15.33 (9)	28.66 (11)	45.51 (14)	63.0 (8)
(28) 14. Labrador City	*7,822 (1)*	*4,178 (1)*	*4 (14)*	*54.40 (1)*	*11.49 (4)*	- (14)	11.49 (14)	- (14)	11.49 (14)	93.06 (5)	12.3 (14)
Group Average	3,295	1,499	42	27.11	10.40	7.02	17.42	35.89	53.31	84.79	56.4
Mean Deviation	1,623	444	19	8.02	1.53	2.05	2.72	27.76	29.93	29.33	16.3
Rank Order Correlation Coefficient (Rr)	−0.0945	−0.0549	−0.4769	0.1121	−0.0066	0.4723	0.6791	0.0699	0.2198	−0.0657	0.0418

Table A-22 (C):

Municipality	(1) Population	(2) Income Per Capita	(3) Social Assistance Per Capita	(4) Tax Yield Per Capita	(5) Revenue and Road Grants Per Capita	(6) Water-Sewerage Subsidy Per Capita	(7) Sub-Total	(8) Special Grants Per Capita	(9) Total Grants Per Capita	(10) Total Disposable Revenue Per Capita	(11) Municipal Fiscal Dependency (9) as % of (10)
Group 3: Average Tax Effort		$	$	$	$	$	$	$	$	$	%
(29) 1. Stephenville	7,770 (1)	2,105 (2)	76 (5)	31.66 (2)	8.21 (12)	3.93 (8)	12.14 (11)	7.16 (6)	19.30 (7)	64.62 (5)	29.9 (13)
(30) 2. Clarenville	2,193 (7)	2,110 (1)	29 (12)	31.05 (3)	20.67 (2)	- (11)	20.67 (2)	10.36 (5)	31.03 (4)	65.29 (4)	47.5 (9)
(31) 3. Glenwood	979 (14)	1,370 (6)	118 (3)	18.94 (6)	8.54 (10)	11.40 (1)	19.94 (3)	40.23 (2)	60.17 (2)	80.28 (3)	75.0 (2)
(32) 4. Bishop's Falls	4,133 (3)	1,354 (7)	47 (8)	19.08 (5)	8.34 (11)	4.30 (7)	12.64 (10)	21.52 (3)	34.16 (3)	57.30 (6)	59.6 (3)
(33) 5. Stephenville Xing	2,129 (8)	1,089 (10)	132 (1)	15.52 (9)	8.89 (8)	6.03 (4)	14.92 (7)	-	14.92 (10)	31.22 (10)	47.8 (8)
(34) 6. Dunville	1,742 (9)	1,300 (9)	44 (9)	17.96 (7)	6.29 (14)	9.16 (2)	15.45 (4)	95.69 (1)	111.14 (1)	139.25 (1)	79.8 (1)
(35) 7. LaScie	1,255 (10)	994 (11)	61 (7)	13.19 (11)	8.92 (7)	6.31 (3)	15.23 (6)	-	15.23 (9)	29.87 (11)	51.0 (7)
(36) 8. Englee	1,050 (13)	584 (14)	119 (2)	7.50 (13)	9.92 (5)	- (11)	9.92 (12)	-	9.92 (12)	28.19 (12)	35.2 (12)
(37) 9. Baie Verte	2,397 (5)	2,005 (3)	19 (14)	71.35 (1)	24.44 (1)	0.81 (10)	25.25 (1)	-	25.25 (6)	98.66 (2)	25.6 (14)
(38) 10. Burin	2,586 (4)	1,532 (5)	23 (13)	19.41 (4)	8.54 (9)	5.77 (5)	14.31 (9)	13.14 (4)	27.45 (5)	47.94 (7)	57.3 (4)
(39) 11. Placentia	2,211 (6)	1,562 (4)	40 (10)	17.75 (8)	10.78 (3)	3.83 (9)	14.61 (8)	-	14.61 (11)	36.27 (8)	40.3 (11)
(40) 12. Ramea	1,208 (11)	1,319 (8)	35 (11)	13.44 (10)	10.27 (4)	4.98 (6)	15.25 (5)	2.16 (7)	17.41 (8)	33.03 (9)	52.7 (5)
(41) 13. Bonavista	4,215 (2)	874 (12)	96 (4)	8.64 (12)	8.04 (13)	- (13)	8.04 (14)	1.78 (8)	9.82 (13)	19.23 (14)	51.1 (6)
(42) 14. Fogo	1,155 (12)	720 (13)	74 (6)	6.67 (14)	9.11 (6)	- (14)	9.11 (13)	-	9.11 (14)	21.55 (13)	42.3 (10)
Group Average	2,502	1,351	65	20.87	10.78	4.04	14.82	13.72	28.54	53.76	49.7
Mean Deviation	1,245	368	32	10.21	3.36	2.35	3.29	18.79	17.48	26.12	11.2
Rank Order Correlation Coefficient (Rr)	0.1165	0.4858	0.1780	0.5936	−0.2088	0.2848	0.3714	0.3333	0.6440	0.3143	0.0769

Table A-22(D):

Municipality	(1) Population	(2) Income Per Capita	(3) Social Assistance Per Capita	(4) Tax Yield Per Capita	(5) Revenue and Road Grants Per Capita	(6) Water-Sewerage Subsidy Per Capita	(7) Sub-Total	(8) Special Grants Per Capita	(9) Total Grants Per Capita	(10) Total Disposable Revenue Per Capita	(11) Municipal Fiscal Dependency (9) as % of (10)
Group 4: Below Average Tax Effort		$	$	$	$	$	$	$	$	$	%
(43) 1. St. Alban's	1,941 (3)	645 (10)	108 (3)	5.67 (8)	7.87 (9)	-	7.87	-	7.87 (13)	14.16 (14)	55.6 (10)
(44) 2. Lawn	1,000 (6)	557 (13)	128 (1)	4.84 (10)	7.65 (11)	-	7.65	10.64 (4)	18.29 (6)	25.30 (7)	72.3 (2)
(45) 3. Trepassey	1,443 (4)	1,300 (4)	41 (11)	10.67 (3)	12.48 (4)	-	12.48	1.73 (9)	14.21 (7)	28.33 (6)	50.2 (14)
(46) 4. Elliston	551 (14)	720 (7)	102 (5)	5.88 (7)	9.81 (7)	-	9.81	1.81 (8)	11.62 (10)	17.59 (11)	66.1 (5)
(47) 5. Arnold's Cove	919 (10)	955 (6)	63 (8)	7.33 (6)	15.98 (1)	-	15.98	3.26 (7)	19.24 (5)	31.99 (4)	60.1 (8)
(48) 6. Change Islands	609 (12)	464 (14)	97 (6)	3.59 (14)	6.69 (13)	-	6.69	15.93 (3)	22.62 (3)	34.64 (3)	65.3 (7)
(49) 7. Little Catalina	722 (11)	637 (11)	71 (7)	4.84 (11)	9.35 (8)	-	9.35	-	9.35 (12)	14.27 (13)	65.5 (6)
(50) 8. Hare Bay	1,485 (5)	618 (12)	123 (2)	4.68 (13)	7.52 (12)	-	7.52	-	7.52 (14)	14.80 (12)	51.5 (13)
(51) 9. Wabana	5,421 (1)	701 (9)	48 (10)	5.20 (9)	6.32 (14)	0.56	6.88	18.30 (2)	25.18 (2)	31.43 (5)	80.1 (1)
(52) 10. Twillingate	1,437 (6)	2,222 (1)	30 (12)	15.61 (1)	15.71 (2)	-	15.71	4.72 (6)	20.43 (4)	37.08 (2)	55.1 (11)
(53) 11. Pasadena	964 (9)	1,814 (2)	21 (14)	12.39 (2)	13.83 (3)	-	13.83	35.35 (1)	49.18 (1)	69.29 (1)	71.0 (3)
(54) 12. Bay Roberts	3,702 (2)	1,416 (3)	25 (13)	9.55 (4)	10.81 (6)	-	10.81	-	10.81 (11)	20.58 (9)	52.5 (12)
(55) 13. Roddickton	1,239 (7)	720 (8)	107 (4)	4.84 (12)	7.84 (10)	-	7.84	5.97 (5)	13.81 (8)	20.18 (10)	68.4 (4)
(56) 14. Port Union	573 (13)	1,270 (5)	50* (9)	8.47 (5)	12.34 (5)	-	12.34	-	12.34 (9)	21.12 (8)	58.4 (9)
Group Average	1,572	1,003	72	7.40	10.30	0.04	10.34	6.98	17.32	27.18	62.3
Mean Deviation	903	430	31	2.82	2.76	-	2.73	7.75	7.29	9.95	7.5
Rank Order Correlation Coefficient (Rr)	0.0154	−0.4462	0.4813	−0.1780	−0.1714	-	−0.1714	−0.4833	−0.1385	−0.2044	−0.0418

*Estimated

Table A-22 (E):

Municipality	(1) Population	(2) Income Per Capita	(3) Social Assistance Per Capita	(4) Tax Yield Per Capita	(5) Revenue and Road Grants Per Capita	(6) Water-Sewerage Subsidy Per Capita	(7) Sub-Total	(8) Special Grants Per Capita	(9) Total Grants Per Capita	(10) Total Disposable Revenue Per Capita	(11) Municipal Fiscal Dependency (9) as % of (10)
Group 5: Lowest Tax Effort		$	$	$	$	$	$	$	$	$	%
(57) 1. St. George's	2,082 (1)	1,068 (10)	76 (4)	6.44 (8)	8.19 (10)	-	8.19	-	8.19 (12)	20.37 (10)	40.2 (14)
(58) 2. Cupids	691 (11)	1,567 (2)	35*(11)	9.92 (1)	13.27 (1)	-	13.27	24.66 (2)	37.93 (2)	47.89 (1)	79.2 (5)
(59) 3. Lamaline	553 (13)	1,210 (8)	90 (3)	7.54 (5)	11.37 (4)	-	11.37	-	11.37 (10)	20.61 (9)	55.2 (13)
(60) 4. South River	554 (12)	1,429 (4)	25 (14)	8.83 (2)	12.79 (2)	-	12.79	6.81 (8)	19.60 (6)	29.24 (5)	67.0 (9)
(61) 5. Spaniard's Bay	1,764 (2)	1,020 (11)	73 (5)	5.86 (10)	6.84 (13)	-	6.84	12.01 (6)	18.85 (7)	25.00 (7)	75.4 (6)
(62) 6. Musgrave Harbour	1,232 (6)	809 (14)	36 (10)	4.47 (12)	7.13 (11)	-	7.13	-	7.13 (13)	11.93 (13)	59.8 (11)
(63) 7. Pouch Cove	1,483 (3)	864 (12)	30*(12)	4.70 (11)	7.12 (12)	-	7.12	17.53 (4)	24.65 (5)	29.40 (5)	83.8 (1)
(64) 8. Catalina	1,131 (7)	1,252 (7)	63 (7)	6.47 (7)	9.04 (7)	-	9.04	3.09 (9)	12.13 (9)	18.39 (11)	66.0 (10)
(65) 9. Point Leamington	940 (8)	840 (13)	72 (6)	4.17 (13)	8.80 (8)	-	8.80	9.05 (7)	17.85 (8)	22.02 (8)	81.1 (3)
(66) 10. Clarke's Beach	877 (9)	1,462 (3)	99 (2)	7.18 (6)	11.29 (5)	-	11.29	22.27 (3)	33.56 (3)	41.61 (3)	80.7 (4)
(67) 11. Holyrood	1,282 (4)	1,792 (1)	25 (13)	8.49 (3)	12.18 (3)	-	12.18	14.82 (5)	27.00 (4)	36.57 (4)	73.8 (7)
(68) 12. Whitbourne	1,235 (5)	1,391 (5)	43 (9)	6.40 (9)	8.76 (9)	-	8.76	0.05 (10)	8.81 (11)	15.54 (12)	56.7 (12)
(69) 13. Brigus	746 (10)	1,280 (6)	99 (1)	7.56 (4)	11.03 (6)	-	11.03	27.97 (1)	39.00 (1)	47.58 (2)	82.0 (2)
(70) 14. Gaultois	509 (14)	1,170 (9)	44 (8)	1.32 (14)	3.37 (14)	-	3.37	-	3.37 (14)	4.90 (14)	68.8 (8)
Group Average	1,077	1,225	58	6.38	9.37	-	9.37	9.86	19.25	26.50	69.3
Mean Deviation	381	225	24	1.82	2.24	-	2.24	8.50	9.47	10.47	10.2
Rank Order Correlation Coefficient (Rr)	0.1648	−0.1429	−0.0945	0.2923	0.2308	-	0.2306	−0.0303	−0.0462	0.1033	−0.4286

*Estimated

A summary of all of these averages, average deviation measures and rank-order coefficients for all five tax effort groups is provided in Table A-23. This Table is one of the most important to be presented in the Report. It enables us to make the following generalizations:

(1) The relationship between local tax intensity in Newfoundland's municipalities and their size, which was in an earlier section found to be very weak in general (0.16), is also uniformly weak when calculated by rank-ordering techniques within each of the five tax effort groups. The highest coefficient in this series is found in the group with the lowest average tax effort, but its level (0.16) is such that in fact no significant association exists. We conclude, therefore, that there is almost an equal probability that larger municipalities of the Province will be exerting low tax effort as there is that they will be exerting a high effort. The same general condition holds for medium sized and smaller local governments.

(2) The relationship between local tax intensity and community income per capita, which was in an earlier section found to be negligible in general (0.06), is discovered by this method of ranking to be comparatively insignificant in the highest, above-average and lowest tax effort groups. But among the 14 municipalities in the average group there does exist a moderate tendency (0.49) for tax effort to rise as community income rises. On the other hand, among the units in the below-average group there is a clear tendency (−0.45) for average tax effort to rise as income falls.

(3) The relationship between local tax intensity and social assistance payment levels, which in an earlier section was found to be insignificant in general (−0.08 and 0.11), is by this method of comparison discovered to be negligible among municipalities in the groups exerting the highest, the average and the lowest tax effort. Among the municipalities in the above-average group, however, there emerges a moderate tendency for social assistance levels to fall as tax effort rises (−0.48). But among municipalities in the below-average group this tendency, of equal strength, is reversed (0.48).

(4) The relationship between local tax effort and municipal tax yields per capita, which in an earlier section was found to be weak-moderate in general (0.38), is by ranking methods discovered to be almost negligible among local authorities in the highest, above-average, and below-average groups. Among those in the lowest group a weak association is found (0.29), but among those in the average group a strong, positive correlation emerges at the 0.59 level. Only among these latter units, therefore, is there any close correspondence as between tax effort levels and tax yields per capita.

(5) The relationship between local tax effort and a combination of the revenue and road grants per capita, which was in an earlier section found in general to be weakly positive (0.24), is by ranking technique discovered to be insignificant in the case of municipalities exerting the highest, above-average and below-average tax efforts. Among units in the average group, it is found to be weakly negative (−0.21), while among those in the lowest group it appears to be weakly positive (0.23).

(6) The relationship between local tax effort and water-sewerage subsidies per capita, which in an earlier section was found to be generally moderate (0.41), is by ranking methods seen to be extremely uneven. First, subsidies were allocated to municipalities exerting the highest, above-average and average tax efforts. Second, municipalities in the above-average group, to a moderate extent (0.47), tended to receive higher grants as their tax effort increased; and the same was true to a lesser extent (0.28) for those units in the average category. But, thirdly, for the 14 local authorities in the highest tax effort group, there was a weakly negative tendency (−0.25) for subsidies per capita to fall as fiscal intensity increased.

(7) The relationship between local tax effort and special grants per capita, which in an earlier section was found in general to be very weak (0.19), is by ranking technique seen to be insignificant among municipalities exerting a high, above-average and extremely low tax effort. Among the 14 units exerting an average effort there appears to be a weakly positive association (0.33), but among those in the below-average category the relationship is moderate and negative (−0.48). Among the latter municipalities, therefore, special grant allocations in 1971 tended to increase as their below-average tax effort diminished.

(8) The relationship between local tax effort and total grants per capita, which in an earlier section was found in general to be weak (0.27), is by ranking seen to be insignificant in the case of municipalities exerting below-average and the lowest tax effort. Among those in the highest and above-average groups it is seen to be weak (0.24 and 0.21), while for units in the average category it is strong (0.64).

(9) Finally, it was concluded in a previous section that local tax effort and the level of municipal reliance on grants were mildly associated negatively (−0.21). Ranking analysis suggests that, except for the municipalities exerting the lowest tax effort, even a weak association in this respect is not found among municipalities in the first four categories.

Reference to the various average figures in Table A-23 indicates some patterns of association when particular indicators are examined across all five tax effort groups. It is true to say, for example, that among all tax effort categories, municipal population varies directly with income-related tax intensity. The higher the tax effort, the larger the average municipal unit tends to be. But among the 14 units in the highest category, the larger 1971 populations of Gander (7,748) and Grand Falls (7,677) are grouped with Winterton (794) and Belleoram (530). While the average group population is 3,284, as indicated above, the mean population deviation among its units is ±1,997. (The population average for the entire sample is 2,872.) In the case of income, much the same conclusion is reached: there is some slight average tendency for tax effort to rise as income per capita rises. In the highest tax effort category, the income per capita levels of Grand Falls ($3,592) and Wabush ($3,508) are grouped with Robert's Arm ($223) and South Brook ($167). While the average per capita income for the highest group stands at $1,484, the mean deviation among its municipalities achieves a very high level of ±$778. (The equivalent figure for the entire sample is $1,381.)

When the relationships among tax effort and local-provincial budgetary contributions are studied, major but generally smaller variations emerge. Tax yields per capita in the 14 units with the lowest tax effort, for example, attained an average level of $6.38 in 1971. But actual yields for the group ranged from $9.92 (Cupids) to $1.32 (Gaultois), the mean deviation for all units in the series being ±$1.62. (Average tax yield per capita for the full sample is $14.68). The Commission wishes to draw particular attention to the relationship between local tax effort and the provincial grant distribution pattern. Grants other than special allocations among the municipalities in the lowest tax effort group (See column 7, "Sub-total", Table A-22E) averaged $9.88 during 1971. The extreme values recorded were $13.27 (Cupids) and $3.37 (Gaultois) and the mean deviation amounted to ±$2.24 for all 14 municipalities. (The entire sample average in this case was $11.90). The level of variation in this instance is extreme for the two limiting cases, but is not great on the average, the mean deviation being only 24 per cent of the group average figure. This condition reflects the formulas used to distribute revenue and road grants but also the fact that none of the communities in this particular sub-sample were receiving water and sewerage subsidies. When the impact of special grants in relation to total grants per capita is examined, however, the mean deviation for the sub-series soars to over 49 per cent of the average. The total grant per capita for these 14 municipalities, in short, averaged $19.25 and ranged from $47.89 (Cupids) to $4.90 (Gaultois). (In this case the average for the entire sample stood at $24.98.)

It is clear beyond much doubt that, in the case of actual municipal budgets, there are in Newfoundland very large dispersion elements that in important areas reduce dramatically the practical relevance of much averaged statistical information. By way of concluding its survey, the Commission details in Table A-24 the average relationships in 1971 among municipal fiscal effort and the six strategic indicators of population, income, tax yields, the degree of local reliance upon provincial grants, water and sewerage service levels and the road pavement ratios. In the case of all but the two service ratios, average mean deviations are shown as a percentage of the tax effort group averages, thus indicating the degree of dispersion found among their correlates. The very high dispersion found among the population of the 14 towns in the highest group, to which an earlier reference was made, yields an average deviation which amounts to almost two-thirds (60.8%) of the group's average population. This population dispersion ratio for all 70 units stands at 52.4 per cent. It is highest in the first group and lowest in the fifth group; it does not vary in the case of the second and third groups. Among the non-service indicators, average dispersion ratios for all groups are highest in the case of population and lowest for municipal fiscal dependency. Generally speaking, dispersion ratios are highest for the highest tax effort group and lowest for the lowest tax effort group. (Dispersion ratios were not calculated for the service indicators because ranking technique cannot deal with those instances where municipalities have achieved 100 or 0 per cent service levels. It is impossible for instance to rank the municipalities in the highest tax effort group in terms of their water and sewerage service levels, since 10 of the 14 towns in the array had by 1971 achieved 100 per cent water and sewerage service installations.)

Table A-23: Town Tax Effort Group Averages, Mean Deviations and Rank Order Correlation Coefficients, 1971 Sample of Major Town Budgets

Town Tax Effort Groups	(1) Population	(2) Income Per Capita	(3) Social Assistance Per Capita	(4) Tax Yield Per Capita	(5) Revenue And Road Grants Per Capita	(6) Water-Sewerage Subsidy Per Capita	(7) Sub-Total	(8) Special Grants Per Capita	(9) Total Grants Per Capita	(10) Total Disposable Revenue Per Capita	(11) Municipal Fiscal Dependency (9) as % of (10)
Highest											
Group (N-14)	$	$	$	$	$	$	$	$	$	$	%
Average of Group	3,284	1,484	50	33.72	11.49	6.98	18.47	14.22	32.69	69.97	47.9
Mean Deviation	(1,997)	(778)	(28)	(15.36)	(3.56)	(3.07)	(4.99)	(12.92)	(13.48)	(17.59)	(15.1)
Correlation Coefficient (Rr)	0.0613	−0.1516	0.1956	−0.0418	0.1121	−0.2527	−0.0220	0.0440	0.2396	−0.0198	0.0022
Above Average											
Group (N-14)											
Average of Group	3,295	1,499	42	27.11	10.40	7.02	17.42	35.89	53.31	84.79	58.4
Mean Deviation	(1,823)	(444)	(19)	(8.02)	(1.53)	(2.05)	(2.72)	(27.76)	(29.93)	(29.33)	(16.3)
Correlation Coefficient (Rr)	−0.0945	−0.0549	−0.4769	0.1121	−0.0066	0.4723	0.6791	0.0699	0.2198	−0.0857	0.0418
Average											
Group (N-14)											
Average of Group	2,502	1,351	65	20.87	10.78	4.04	14.82	13.72	28.54	53.76	49.7
Mean Deviation	(1,245)	(368)	(32)	(10.21)	(3.36)	(2.35)	(3.29)	(18.79)	(17.48)	(26.12)	(11.2)
Correlation Coefficient (Rr)	0.1165	0.4858	0.1780	0.5936	−0.2088	0.2848	0.3710	0.3333	0.6640	0.3143	0.0769
Below Average											
Group (N-14)											
Average of Group	1,572	1,003	72	7.40	10.30	-	10.34	6.98	17.32	27.18	62.3
Mean Deviation	(903)	(430)	(31)	(2.82)	(2.76)	-	(2.73)	(7.75)	(7.29)	(9.95)	(7.5)
Correlation Coefficient (Rr)	0.0154	−0.4462	0.4813	−0.1780	−0.1714	-	−0.1714	−0.4833	−0.1385	−0.2044	−0.0418
Lowest											
Group (N-14)											
Average of Group	1,077	1,225	58	6.38	9.37	-	9.37	9.88	19.25	26.50	69.3
Mean Deviation	(381)	(225)	(24)	(1.62)	(2.24)	-	(2.24)	(8.50)	(9.47)	(10.47)	(10.2)
Correlation Coefficient (Rr)	0.1648	−0.1429	−0.0945	0.2923	0.2308	-	0.2308	−0.0303	−0.0462	0.1033	−0.4286
Pearson Correlation Coefficients (R)	0.16	0.06	(−0.08; 0.11)	0.38	0.24	[illegible]					

Table A-24: Local Tax Effort Related to Population, Income, Tax Yields, Municipal Fiscal Dependency and Major Service Levels, Newfoundland Municipal Financial Survey, 1971

	Population	Income Per Capita	Tax Yields Per Capita	Municipal Fiscal Dependency	Water and Sewerage Service Levels	Road Pavement Ratios
	No.	$	$	%	%	%
A. All Sample (N-116)	2,872	1,381	14.68	63.3	52	42
B. St. John's	88,102	2,847	92.82	27.3	98	87
Corner Brook	26,309	1,808	93.45	23.6	98	51
C. Highest Tax Effort Group						
(a) average	3,284	1,484	33.72	47.9	93	67
(b) mean deviation	±1,997	±778	±15.36	±15.1		
(c) (b) as % of (a)	60.8	52.4	45.6	31.5		
D. Above-Average Tax Effort Group (N-14)						
(a) average	3,295	1,499	27.11	58.4	90	57
(b) mean deviation	±1,623	±444	±8.02	±16.3		
(c) (b) as % of (a)	49.3	29.6	29.6	27.9		
E. Average Tax Effort Group (N-14)						
(a) average	2,502	1,351	20.87	49.7	59	57
(b) mean deviation	±1,245	±368	±10.21	±11.2		
(c) (b) as % of (a)	49.8	27.2	48.9	22.5		
F. Below Average Tax Effort Group (N-14)						
(a) average	1,572	1,003	7.40	62.3	35	28
(b) mean deviation	±903	±430	±2.82	±7.5		
(c) (b) as % of (a)	57.4	42.9	38.1	12.0		
G. Lowest Tax Effort Group (N-14)						
(a) average	1,077	1,225	6.38	69.3	17	43
(b) mean deviation	±381	±225	±1.62	±10.2		
(c) (b) as % of (a)	35.4	18.4	25.4	14.7		
H. All Groups (N-70)						
(a) average	2,346	1,312	19.10	57.5	59	50
(b) mean deviation	±1,230	±449	±7.61	±12.1		
(c) (b) as % of (a)	52.4	34.2	39.8	21.0		

Within the interpretive limits imposed by these dispersion ratios, the Commission notes the average tendencies for tax effort to rise with population and to a less pronounced degree, with average community income per capita. Tax yields, on the other hand, have a closer relationship to tax effort, falling from an average of $33.72 in the first group to only $6.38 in the fifth group. Water and sewerage service levels are highest in the cities (both of which, as noted above, fall within the highest town tax effort category) and in the first two groups. The road pavement ratio, on the other hand, is substantially different as between St. John's and Corner Brook and averages 57 per cent for the above average and average tax effort groups. It is lowest for below-average tax effort groups. It is lowest for below-average tax effort towns but rises, on the average, for municipalities in the lowest group.

Examination of the information supplied to the Commission from the *Community Inventory*, however, illustrates the prevailing degree of variation found among these averaged regularities. In the two lowest tax effort groups, for instance, one encounters no fewer than 10 out of 28 municipalities which had achieved either complete or very high water service levels. (Lawn, Trepassey, Arnold's Cove, Wabana, Twillingate, Roddickton, Catalina, Clarke's Beach, Whitbourne and Brigus.) It will be noted that the towns exerting low fiscal effort but achieving high local service levels tend in general to be different towns when the water and sewerage and pavement ratios are compared.

Much the same pattern of exceptions is found when the examination is confined to purely fiscal areas. Reference to Table A-23 (D and E) will show that among the 28 towns in the lowest tax effort categories, for example, no fewer than seven received total grants per capita in 1971 that were at or above the average grant allocated ($24.98) to all 116 municipalities in the survey. (Wabana, Pasadena, Cupids Pouch Cove, Clarke's Beach, Holyrood and Brigus). There is thus ample evidence that Newfoundland's municipal financial pattern, as indicated in the earlier regression analysis, is not systematically related to population, community income, and the local service levels actually achieved. The most general summary of the levels of fiscal dispersion prevailing among 70 towns during 1971 is set out below, using rank order coefficients of correlation.

Table A-25: Summary Association of Community Income, Local Tax Effort and Provincial Grants, Newfoundland Municipal Financial Survey, 1971

Community Income Per Capita	Local Tax Yield Per Capita	Local Tax Effort	Provincial Grants Per Capita	Municipal Fiscal Dependency
Under $1,000 (N-22)	+0.06	−0.34	−0.17	−0.27
$1,000-$1,299 (N-14)	−0.24	−0.40	−0.43	−0.30
$1,300 - $1,499 (N-15)	−0.03	+0.07	−0.05	−0.20
$1,500 - $1,799 (N-11)	−0.14	+0.05	+0.36	+0.35
Above $1,800 (N-9)	+0.40	+0.73	−0.73	−0.68

These summary basic relationships revealed by ranking technique thus confirm the general patterns observed earlier in the regression analysis. Among low-income communities there emerge weak-to-moderate inverse *associations among local tax effort. At least among the communities with highest income, on the other hand, this association is strongly positive. Grant allocations, as noted earlier, do not in general correlate strongly with community income. The exception to this rule, however, is decisively revealed in the case of the municipalities with the highest average income, where the association is strongly negative. And it is clear that the grant bias against the high-income communities (−0.73) is matched by an equivalent need for them to exert a strongly positive local tax effort (0.73). Although Newfoundland's current budgetary statistics, like those of all governments, have generally increased since 1971, the Commission has obtained no evidence to suggest that the primary relationships illustrated in this annex have changed their basic structure.*

The Commission thus concludes its four-part investigation of Newfoundland's municipal public finance, which has employed computer breakdown, regression, factor and ranking analysis. The statistical regularities which emerged when the various financial, service and environmental indicators were broken down and distributed among population, income, density, regional, social assistance, tax yield and provincial grant categories conceal substantial degrees of variation which are revealed when the detailed municipal budgetary patterns and their main correlates are examined in terms of rank-ordering methods and the regression analysis used in Section 3 above. The latter method describes statistically the general situation prevailing in 1971 with respect to the municipal fiscal sector; but the former illustrates concretely the range of actual variation found among 72 of the main municipal units. While averaged data may be useful for analysis and administrative purposes, their essential limitations revealed in Table A-22 (A-E) should always be borne in mind. These averages, in brief, must not be confused with the budgetary realities confronting particular municipalities.

Statistical Annex B

1. Cautionary Note on Interpreting Averaged Grant Impact Measures

On a number of previous occasions we have suggested the need for an appropriate degree of caution in interpreting averages and other fiscal ratios. The reason for this concern on the Commission's part arises from its awareness of the nature of the actual municipal budgets from which the averages were abstracted. With rare exceptions, these averages are numbers expressing a surprisingly wide range of variation in actual local budgetary experience. Most of our series, indeed, contain substantial degrees of dispersion or deviation from the group norm. In the interest of realism, then, we begin this section by indicating how provincial grants impact upon local budgets in concrete terms.

In Table B-1 readers will find a summary of the averages that resulted when local budgets and provincial grants were examined through the use of eight municipal size groups. Again, the sample used was drawn from all the major municipalities in the Province and is based upon the audited 1971 financial statements of 111 *non-city* municipalities. It is evident that the average per capita patterns which emerge bear some resemblance to those presented earlier. Local revenue collections, for example, are in per capita terms more than six times greater in the five largest towns ($60.13) than in the 48 smallest municipalities ($9.14). The average in this respect for the entire sample was only $17.32. The average per capita yields of regular grants rise from $10.42 in the smallest size group to a peak of $21.99 in the case of local authorities in the 3,000-4,000 range. Thereafter, as expected, they decline in amount. For the reasons indicated earlier, special grants per capita show a wider degree of variation when compared with regular grants but not when they are related to local revenues. Special grants, moreover, display a much more erratic association across the eight size groups with local revenues than do the regular grants.

The degree of municipal dependency upon regular and special grants, when measured in this framework, is illustrated in columns (7), (8) and (9). The behaviour of special grants obviously changes in a substantial manner the pattern of local fiscal dependency as compared with that found to exist when the impact of regular grants was considered in isolation. The tendency of special grants to discriminate positively is clearly seen in column (9) which is a rough measure of the extent to which, on the average, these latter grants increase the level of dependency above that prevailing when the regular grants are alone considered. This discrimination is most evident in respect of municipalities in the second (1,000-1,999), third (2,000-2,999) and sixth size categories (5,000-5,999). There are 46 units (41%) in these categories; collectively they have 41 per cent of the sample's population; but they collected only 27 per cent of its total local revenue in 1971.

A comparison of columns (9) and (10) indicates the relationship prevailing on the average between the impact of special grants and the level of community dependence upon social assistance payments per capita. Except for some irregularity in the middle size groups, the latter payments tend

Table B-1: Average Grant Impact by Municipal Population Size Groups: Municipal Dependency, Social Assistance Payments and Density: Non-City Municipalities Included in the 1971 Financial Survey

Size Groups	(1) Population Average	(2) Total Local Revenue (Own Sources)	(3) Total Regular Grants	(4) Total Disposable Revenue (Excluding Special Grants)	(5) Special Grants	(6) Total Disposable Revenue (Including Special Grants)	(7) Municipal Dependency on Regular Grants	(8) Municipal Dependency on All Grants	(9) Impact of Special Grants	(10) Social Assistance Payments	(11) Density Houses Road Mile	(12) Number of Municipal Units
		Per Capita $	Per Capita $	Per Capita $	Per Capita $	Per Capita $	%	%	%	Per Capita $		
1. Under 999	682	9.14	10.42	19.56	10.37	29.93	53.3	69.5	+ 16.2	75	33	48
2. 1,000-1,999	1,355	12.27	11.18	23.45	14.56	38.01	47.7	67.7	+ 20.0	60	39	30
3. 2,000-2,999	2,322	26.37	15.77	42.14	24.03	66.17	37.4	60.1	+ 22.7	49	44	14
4. 3,000-3,999	3,393	40.78	21.99	62.77	3.73	66.50	35.0	38.7	+ 3.7	27	51	5
5. 4,000-4,999	4,566	27.05	15.81	42.86	17.47	60.33	36.9	55.2	+ 18.3	49	42	6
6. 5,000-5,999	5,681	19.93	10.90	30.83	16.40	47.23	35.4	57.8	+ 22.4	36	52	2
7. 6,000-6,999	6,644	36.86	13.81	50.67	19.05	69.72	27.3	47.1	+ 19.8	47	67	1
8. 7,000 and above	7,606	60.59	12.12	72.72	5.08	77.79	16.7	22.1	+ 5.4	23	73	5
Sample Mean	1,856	17.32	12.23	29.55	13.26	42.81	41.8	59.5	+ 17.7	61	40	14

to fall as municipalities increase in size. Contrary to the opinion held in some quarters that the special grants constitute a kind of "equalization" measure in municipal finance, there is no strong association as between special grant allocations and social assistance payments. To the extent that these payments are an appropriate indicator of fiscal need, the dictates of equalization would appear to require a direct relationship between these averages. In fact, the following rank order association is seen:

Population Size Group	**(1) Rank Order Special Grants**	**(2) Rank Order Social Assistance**	**(3) Difference**
999 under	6	1	5
1,000-1,999	3	2	1
2,000-2,999	1	3	2
3,000-3,999	8	7	1
4,000-4,999	5	4	1
5,000-5,999	2	6	4
6,000-6,999	4	5	1
7,000 and above	7	8	1
	36	36	16

It was indicated earlier, however, that special grants were associated statistically with social assistance payments in our entire sample at the level of only −0.10, whereas the equivalent coefficients for revenue and road grants and water subsidies averaged approximately −0.30 and −0.10 respectively. The Pearson coefficient for total grants in this connection was −0.15. The comparable numbers in respect of local tax effort for some 70 larger town units, on the other hand, were as follows: revenue and road grants 0.24, water and sewerage subsidies 0.41, special grants 0.19, and all grants 0.27. When the income per capita in communities becomes the basis of measurement, the following correlation between all special grants and total grants indicates an almost perfect pattern of association, namely, 0.97. One would expect a very high coefficient in this relationship because of the substantial weight of special assistance allocations in Newfoundland's grant structure. But that the relationship should be almost perfect is strong evidence that the deviations to be expected from an equalization tendency are simply not present in fact. Since special grants and total grants received by municipalities in 1971 invariably were at high (or medium and low) levels, just how the special grant countervailed the regular grants, in terms of an equalization effect, is by no means apparent. *The Commission's conclusion on this point is that there is virtually no net equalization to be found in either the specific grants or the overall grant structure.* And, except for the subsidies, there is very little association to be found in the relationship between grant levels and local fiscal effort as measured in 70 of the main town units in the Province.

In short, these correlation numbers often provide a more realistic characterization of budgetary reality than do many of the averages presented in this report. This fact can be illustrated concretely with reference to some of the series. Within each size group, the communities are ranked according to their local revenue yields per capita.

(i) *Population Size Group 1: Communities under 1,000*

This group consists of 48 municipalities ranging in size from 371 (Portugal Cove South) to 964 (Pasadena). The mean group population is 682 (Harbour Main). On the average, as we have seen, the municipalities in the group raised $9.10 in local revenue per capita. But the mean deviation for the series on local revenue (i.e., the average of all the positive and negative differences between the group average and the data for each unit in the series) amounted to ±$6.31. Actual local revenue collections ranged from a low of $1.53 (Chapel Arm) to a high of $57.48 (Buchans, L.I.D.). The per capita revenue collected in the latter unit, therefore, was almost as high as that raised in the Province's five largest towns ($60.54). This degree of dispersion is not uncommon in practice.

Fully 18 of the municipalities in the smallest size group raised less than $5.00 per capita during 1971. We list them in Table B-2, in order of size, showing total revenue raised locally (T.L.R.), regular grants (R.G.), disposable revenue net of special grants (T.D.R.-1), special grants (S.G.), total disposable revenue (T.D.R.-2), municipal reliance on regular grants (M.R.), and social assistance payments per capita (S.A.).

Table B-2: Grant Impact on 18 Municipalities with Lowest Revenue Yields Per Capita (Lowest Size Group)

Municipality	T.L.R. $	R.G. $	T.D.R.-1 $	S.G. $	T.D.R.-2 $	M.R. %	S.A. $
1. Portugal Cove South	3.77	7.25	11.02	-	11.02	66%	67
2. Irishtown	3.78	5.51	9.29	-	9.29	59	55
3. Little Bay	1.79	5.82	7.61	-	7.61	77	38
4. Gaultois*	1.57	3.37	4.94	-	4.94	68	44
5. Meadows	4.65	8.18	12.83	-	12.83	64	82
6. Lushes Bight	3.62	8.09	11.71	3.62	15.33	69 (76)	27
7. Renews	3.18	9.82	13.00	5.29	18.29	76 (83)	77
8. Port au Port West, etc.	2.34	4.89	7.23	8.59	15.82	67 (85)	100
9. Chapel Arm	1.53	7.91	9.44	6.11	15.55	84 (91)	62
10. King's Point	4.14	7.59	11.73	-	11.73	65	56
11. Harbour Main	4.45	8.68	13.13	2.46	15.59	66 (71)	63
12. Nain	3.53	3.84	7.37	11.30	18.67	52 (81)	118
13. Little Catalina*	4.98	9.35	14.33	-	14.33	65	71
14. Hampden	2.44	9.33	11.77	-	11.77	79	124
15. Cartwright	3.72	6.23	9.95	3.98	13.93	63 (73)	123
16. St. Lunaire, etc.	1.82	5.39	7.21	1.82	9.03	75 (80)	36
17. Pt. Leamington*	4.15	8.80	12.95	9.05	22.00	68 (81)	72
18. Lourdes	3.13	4.67	7.80	5.22	13.02	60 (76)	189
Group Average (48 units)	9.14	10.42	19.56	10.37	29.93	53	75

*incorporated town

These municipalities are the least developed local authorities in Newfoundland, although three of them are incorporated towns. Five of them receive more than three-quarters of their revenue requirements from the government on a regular basis. Only one of them is in this matter below the full group average (53%), which itself is high by sample standards. When the effect of special grants is tallied (bracketed numbers) their reliance on provincial support grows even stronger. Eight of the municipalities, however, received no special grants during 1971. Inspection of the columns in the above list will indicate a budgetary performance well below the group's average. Not a single unit in the sub-group, for example, attained parity with the full group level in respect of the revenue grant, while only one (Nain) exceeded the group average in its special grant. Only seven of the municipalities are above the group average in regard to social assistance payment levels, but five have very high ratios. Lourdes, for example, has the heaviest recorded incidence of social assistance payments per capita in the sample. An examination of the S.G. and S.A. columns above will indicate no strong bias for these grants to be awarded in accordance with the principle of equalization. The case of Nain, however, is an obvious exception.

The Commission obtained income data on the three towns included in this sub-group. These units, accordingly, were ranked with the 70 major towns in the sample in terms of their relative income-related tax effort in 1971. All were far below average in this respect. Little Catalina exerted the greatest effort, ranking 49th out of 70. But Point Leamington and Gaultois were located in the lowest tax effort category and were ranked 65th and 70th respectively.

Included in the same population category containing 48 municipalities of under 1,000 inhabitants, by way of contrast, are seven local authorities whose revenue collections exceeded $15.00 per capita. Five of the seven units are incorporated towns; all have substantial water systems in place. No town employs the real property tax. (see Table B-3)

Table B-3: Grant Impact on 7 Municipalities with High Local Revenue Yields (Lowest Size Group)

Municipality	T.L.R.	R.G.	T.D.R.-1	S.G.	T.D.R.-2	M.R.	S.A.
	$	$	$	$	$	%	$
1. Buchans	57.48	34.71	92.19	73.60	165.79	38 (65)	0
2. Newtown*	21.63	23.48	45.11	13.65	58.66	52 (63)	58
3. Main Brook*	15.76	8.30	24.06	6.78	30.84	35 (49)	68
4. Seal Cove	17.04	12.26	29.30	3.80	33.10	42 (49)	38
5. Winterton*	23.04	23.22	46.26	67.00	113.26	50 (80)	60
6. Arnold's Cove*	12.73	15.98	28.71	3.26	31.97	56 (60)	63
7. Glenwood*	20.02	19.94	39.96	40.23	80.19	50 (75)	118
Group Average (48 units)	9.14	10.42	19.56	10.37	29.93	53	75

*incorporated town

By the standard of the group as a whole, these municipalities raise a substantial local revenue and accordingly receive regular grants in all except one instance (Main Brook) above the average. The statistical connection discovered earlier between water subsidies and special grants is seen concretely in this sub-group. A substantial element in most of the regular grants for these units consists of the subsidy; and three of the seven local authorities were awarded generous special grants as well. It may be noted that the total local per capita budget in Buchans (T.D.R.-2 above, $166) exceeds the per capita budget of St. John's ($140)! For the sub-group there is generally less reliance upon regular grants than is the case for the group as a whole. Except for Glenwood, the incidence of social assistance payments is below the group average. Winterton has a very high tax effort rating, namely, 12th out of 70; Glenwood is ranked 31st out of 70; and Arnold's Cove is listed 47th out of 70.

(ii) *Population Size Group 2: 1,000-1,999*

The second size group contains 30 municipalities, 24 of which were incorporated towns, with an average population of 1,355. Nearly 80 per cent of these units have 1,500 inhabitants or less. Among the local authorities in this group, the average per capita revenue raised from purely municipal sources amounted to $12.27 (Fogo), or only $3.17 more than the average reported in Group 1. The local revenue limits in this sub-series are $0.88 (Cape St. George) and $32.53 (Badger's Quay-Valleyfield-Pool's Island). Almost half of the 30 municipalities in this size group raised less than $7.00 per capita. We list in Table B-4 the sub-group in the same manner as before:

Table B-4: Grant Impact on 13 Low Revenue Municipalities (Size Group 1,000-1,999)

Municipality	T.L.R.	R.G.	T.D.R.-1	S.G.	T.D.R.-2	M.R.	S.A.
	$	$	$	$	$	%	$
1. Triton, etc.	6.08	7.88	13.96	8.99	22.95	56 (74)	25
2. Catalina*	6.36	9.04	15.40	3.09	18.49	59 (66)	63
3. Isle aux Morts	3.19	6.91	10.10	11.68	21.78	68 (85)	56
4. Musgrave Harbour*	4.78	7.13	11.91	-	11.91	60	38
5. Milltown, etc.	4.62	7.45	12.07	5.68	17.75	62 (74)	29
6. Whitbourne*	6.80	8.76	15.56	0.05	15.61	56 (56)	43
7. Roddickton*	6.37	7.84	14.21	5.97	20.18	55 (68)	107
8. Kippens	3.47	5.60	9.07	2.89	11.96	62 (71)	55
9. Pouch Cove*	4.72	7.12	11.84	17.53	29.37	60 (84)	40
10. Cape St. George	0.88	2.52	3.40	1.25	4.65	74 (81)	56
11. Spaniard's Bay*	6.12	6.84	12.96	12.01	24.97	53 (75)	73
12. Upper Island Cove*	4.83	6.22	11.05	5.85	16.90	56 (71)	99
13. St. Alban's*	6.28	7.87	14.15	-	14.15	56	108
Group Average (30 units)	12.27	11.18	23.45	14.56	38.01	48	60

*incorporated town

With a total budget of only $4.65 per capita, Cape St. George had the least developed fiscal base of any Newfoundland municipality in 1971. Like the low revenue units in the previous size group, most of these small municipalities are heavily dependent upon the regular grants. Not a single community in the sub-group, for instance, is below the group average dependency ratio of 48 per cent. There is evidence that many special grants in 1971 were awarded to municipalities with very indifferent revenue records. That situation appears to exist in this sub-group; all units except two received some discretionary assistance, and the towns of Pouch Cove ($17.53) and Spaniard's Bay ($12.01) obtained sizeable grants. (These per capita amounts translate into grants of $26,000 and $21,000 respectively). Again, there does not appear to be a strong direct association between special grants and the incidence of social assistance payments per capita. *The* *town with the highest need, as measured by the latter indicator (St. Alban's), received no grant at all in 1971, while the town with a below average social assistance record (Pouch Cove), received the largest allocation.* The relationship between these low revenue budgets and local tax effort was determined in five instances; the rank order numbers are as follows: St. Alban's (43/70), Roddickton (55/70), Spaniard's Bay (61/70), Catalina (64/70), and Whitbourne (68/70). In relation to their incomes, therefore, these last four communities during 1971 exerted some of the weakest efforts toward revenue collection in the entire sample. But comparatively large special grants awarded to Spaniard's Bay and Pouch Cove — in the latter case an allocation well above the province-wide average — should be noted.

Ranked with the above communities in the same population group, however, are four municipalities whose local revenue collection exceeded $20.00 per capita during 1971. Three are incorporated towns and one is a rural district. Their budgetary performance, without use of the real property tax, is summarized in Table B-5.

Table B-5: Grant Impact on 4 High Revenue Municipalities (Size Group 1,000-1,999)

Municipality	T.L.R.	R.G.	T.D.R.-1	S.G.	T.D.R.-2	M.R.	S.A.
	$	$	$	$	$	%	$
1. Jerseyside*	23.28	17.81	41.09	33.11	74.20	43 (69)	38
2. Badger*	27.71	23.43	51.14	83.12	134.26	46 (80)	56
3. Badger's Quay, etc.*	32.53	19.81	52.34	23.19	75.53	38 (57)	23
4. Dunville*	29.21	15.45	44.66	95.69	140.35	34 (80)	44
Group average (30 units)	12.27	11.18	23.45	14.56	38.01	48	60

*incorporated town or rural district

Once again it can be seen that municipalities with water systems and developed local service programmes require access to special grants as a supplement to their local revenues and regular grants. In the case of Badger's Quay, and to a lesser degree of Dunville, it will be noted that the regular grants fall well below the total locally raised revenue. This was due largely to the impact of federal grants and of local non-tax revenue, neither of which are taken into account for purposes of the revenue grant. Badger's Quay, in fact, raised little more than $23.00 per capita in local taxation during 1971. In recent years three of these municipalities have consistently received special assistance in a degree well above the provincial average. Due to the impact of special assistance, their dependency ratios are abnormally high. *It is not surprising, therefore, that the per capita levels of Dunville and Badger, for example, should be on a par with that of St. John's, while their local revenue collections are barely one-quarter of those which obtain in the City.* At the same time, it should be noted that their own revenue yields are about twice the average recorded for their population group as a whole. Jerseyside exerts one of the highest tax efforts among all of Newfoundland's municipalities (6/70). Badger has an above-average tax effort (21/70). But Dunville has only an average tax effort (34/70). In the case of this particular sub-group, then, the size of the special grants in 1971 was inversely related to local tax effort. All units in this comparison, save for the case of Badger, are below the group average with reference to social assistance payments.

(iii) *Population Size Group 3: 2,000-2,999.*

This size group contains 14 municipalities, all but one of which are now incorporated towns. Their average population in 1971 was 2,322. The single non-town unit, Halfway Point, will be excluded from the following comparisons. (It raised only $2.51 in local revenue and had a total per capita budget of $7.33. Its dependency ratio was 66%). The per capita average local revenue raised by these municipalities was $26.37, ranging from a low of $7.57 (Dark Cove-Gambo, etc.) to a high of $40.92 (Fortune). Four towns (Harbour Grace, Clarenville, Placentia and Baie Verte) used a real property tax. Following are the budget indicators of the three lowest and four highest revenue units in the group:

Table B-6: Grant Impact on 7 Low-High Revenue Municipalities (Size Group 2,000-2,999)

Lowest	T.L.R. $	R.G. $	T.D.R.-1 $	S.G. $	T.D.R.-2 $	M.R. %	S.A. $
1. Dark Cove-Gambo, etc.	7.57	9.82	17.39	21.00	38.39	57	34
2. St. George's	12.19	8.19	20.38	-	20.38	40	76
3. Stephenville Crossing	16.34	14.92	31.26	-	31.26	48	132
Highest							
1. Harbour Grace	40.92	20.06	60.98	8.62	69.60	33	66
2. Fortune	35.39	19.57	54.96	8.29	63.25	36	26
3. Clarenville	34.29	20.67	54.96	10.36	65.32	38	29
4. St. Anthony	30.65	23.36	54.01	63.11	117.12	43	22
Group Average (14 units)	26.37	15.77	42.14	24.03	66.17	37	49

Of special interest in the above table is the comparison of St. George's, then without a water system, and Stephenville Crossing which was in receipt of an annual subsidy for its system. For this reason, although they have very similar populations, the latter unit received a substantially greater regular grant as compared with the former. The abnormal difference between regular grants and local revenues in the case of Harbour Grace, Fortune and Clarenville can be traced to high non-tax revenues and to federal contributions.

It was indicated in the previous section that this size group was most favoured by special grants. Yet four of its 14 towns received no special grants whatever in 1971, while Halfway Point received a small special grant of only $2.47 per capita. (In the table above neither St. George's nor Stephenville Crossing received any special allocation). But substantial special assistance was given in per capita amounts as indicated to the following units: St. Lawrence, ($148.50); St. Anthony, ($63.11); Burgeo, ($42.05); Dark Cove-Gambo, ($21.00); Harbour Breton, ($18.81); and Burin, ($13.14). While the average size of special grants for the entire sample averaged only $13.26 per capita in 1971, the average for this group was $24.03 — a figure which is not too realistic since four of its units received no special grants in that year. Again, the special grants bear no relationship with social assistnce levels. Stephenville Crossing has one of the largest welfare incidences n Newfoundland but it received no grant whatever. The towns that did eceive very large grants, with the exception of Harbour Breton, had relaively low levels of social assistance payments. The tax effort record for owns in this group was as follows: Harbour Grace (3/70); Fortune (13/70); St. Anthony (16/70); Harbour Breton (20/70); Burgeo (22/70); St. Lawrence (26/70); Clarenville (30/70); Stephenville Crossing (33/70); Baie Verte (37/70); Burin (38/70); Placentia (39/70). *It should be indicated, finally, that St. Lawrence, with the highest special grant awarded in the Province during 1971, had a total per capita budget $189.73, well in excess of the St. John's level.*

(iv) *Population Size Group 4: 3,000-3,999*

This group consists of only five municipalities (Lewisporte, Springdale, Wabush, Grand Bank and Bay Roberts.) Their average population was 3,393. An extreme variation in revenue yields is found in this group. The first three units use a real property tax and collected per capita local revenues ranging from a high of $68.37 in Wabush, to a low of $36.78 in Springdale. Lewisporte collected $51.96. Grand Bank, without the property tax, collected $37.02, while Bay Roberts raised only $9.75. Except for the latter unit, which had a high dependency rate (53%), most municipalities were very low on this scale, the average being only 35 per cent. Two of the five units received below average special grants. The tax effort ratings of these local authorities is as follows: Lewisporte (5/70); Springdale (9/70); Wabush (11/70); Grand Bank (18/70); Bay Roberts (54/70). *It is a commentary on the vagaries of municipal size in relation to budgetary matters that the latter municipality, although in the fourth group, collected less revenue per capita than 17 municipalities (35%) in the smallest group! Hence the difficulty of interpreting averaged data.*

(v) *Population Size Groups 5-8: Communities above 4,000*

Because of their importance, we present in Table B-7 the budgetary data on all 14 units in these four larger size groups:

Table B-7: Grant Impact on Larger Municipalities (4 Size Groups 4,000-8,000)

Group 5 (Average Population 4,566)	**T.L.R.**	**R.G.**	**T.D.R.-1**	**S.G.**	**T.D.R.-2**	**M.R.**	**S.A.**
	$	$	$	$	$	%	$
1. Bishop's Falls	23.17	12.64	35.81	21.52	57.33	35 (60)	47
2. Bonavista	9.41	8.04	17.45	1.78	19.23	46 (52)	96
3. Deer Lake	36.77	21.99	58.76	14.35	73.11	37 (50)	46
4. Carbonear	29.81	18.27	48.08	-	48.08	38	22
5. Happy Valley	36.45	17.92	54.37	42.56	96.93	33 (62)	33
6. Marystown	26.67	16.00	42.67	24.60	67.27	38 (60)	47
	27.05	15.81	42.86	17.47	60.33	37 (55)	49
Group 6 (Average Population 5,681)							
1. Wabana	6.25	6.88	13.13	18.30	31.43	52 (80)	48
2. Channel-Port aux Basques	33.61	14.91	48.52	14.49	63.01	31 (47)	23
	19.93	10.90	30.83	16.40	47.23	35 (58)	36

Table B-7: Grant Impact on Larger Municipalities (4 Size Groups 4,000-6,000)

	T.L.R.	R.G.	T.D.R.-1	S.G.	T.D.R.-2	M.R.	S.A.
Group 7 (Population 6,644)	$	$	$	$	$	%	$
1. Windsor	36.86	13.81	50.67	19.05	69.72	27 (48)	47
Group 8 (Average Population 7,606)							
1. Mount Pearl	41.99	12.80	54.79	15.41	70.20	23 (40)	13
2. Labrador City	81.57	11.49	93.06	-	93.06	12	4
3. Gander	57.74	12.00	69.74	1.28	71.02	17 (19)	10
4. Grand Falls	76.35	12.19	88.54	1.55	90.09	14 (15)	12
5. Stephenville	45.32	12.14	57.46	7.16	64.62	21 (30)	76
	60.59	12.12	72.71	5.08	77.79	17 (22)	23

Some important contrasts are evident in these four groups. In group 5, two of the six units (Bonavista and Bishop's Falls) did not use the real property tax. This fact is reflected in their local revenue yields, Bonavista, in particular, being far below the group average ($27.05) in this respect. Indeed, about one-third of the units in the smallest municipalities had revenue yields in excess of $9.41. It is evident that all units except two received substantial special grants in 1971, a fact reflected in the group's average, which is well above the norm for the entire sample. Although the group's dependency ratio net of special grants is below average, the impact of the special allocations raises this measure significantly. Although its social assistance payments average ($49) is below the sample's average ($61), the group received above average special assistance. The tax effort rank order of these municipalities is as follows: Marystown (8/70); Happy Valley (17/70); Carbonear (19/70); Deer Lake (23/70); Bishop's Falls (32/70); Bonavista (41/70).

Group 6 contains two municipalities that present a striking contrast when municipal budgets are examined in relation to size variations. Wabana ranks 8th from the top among 111 units in the sample from the standpoint of population size, but it ranks 37th from the bottom in terms of its local revenue per capita. Its dependence upon provincial assistance is very high (80%). Although it raised five times less revenue per capita than Port aux Basques, its total disposable revenue was only one-half that available to the latter unit after including special grants. Wabana's level of social assistance payments, it should be noted, is *below* the average for the entire sample. In terms of local tax effort, Channel-Port aux Basques is 24/70 whilst Wabana is 51/70. Wabana does not use the real property tax.

Among the six towns in the two largest population groups, it is evident that Windsor, Mount Pearl and Stephenville have below average local revenue yields, while Labrador City and Gander are above the norm. Both Windsor and Mount Pearl received above-average special grants in 1971. Yet the latter's level of social assistance payments is clearly one of the lowest in the sample. Although the Commission could obtain no income data respecting Mount Pearl (because of its inclusion in the St. John's income total), there is a clear presumption, arising from its local revenue record, that its level of tax effort is quite low by the standard of our other large municipalities. Indeed, it raised only $42.00 per capita from local revenue sources, compared with $81.57 in Labrador City, $102 in St. John's and $104 in Corner Brook. The tax effort standings of the other towns are as follows: Grand Falls (4/70); Windsor (7/70); Gander (10/70); Labrador City (28/70); Stephenville (29/70).

2. Size Distribution of Grants

To round out this aspect of its statistical inquiry, the Commission presents a summary of the distribution pattern of regular grants per capita in terms of population size, municipal *tax* yields per capita, density ratios and social assistance payments per capita (Table B-8). It also examines the average relationship found between the level of grants regularly received, the level of special grants and the degree of municipal dependency on provincial support (Table B-9). One hundred and twelve municipal units were included in this summary.

In 1971 the average regular grant per capita received by municipalities in the sample amounted to $12.23. This figure varied from a low of $2.50 (Rose Blanche and Halfway Point) to a high of $34.71 (Buchans, L.I.D.). (It is a feature of this pattern that the extreme values have no relationship with population. Halfway Point, for instance, has a population of 2,027, whereas Buchans, the second smallest unit in the sample, has only 454 inhabitants.) When all regular grants were sorted into five size groups and distributed among eight population categories (Table B-8), the percentage ratios displayed a good deal of unevenness. Sixty-three per cent of the eight regular grants in the $5.00 and under range were distributed to communities below 1,000. Among the grants between $5.00 and $9.99 there was a similar bias toward the smaller units. Eighty-one per cent of these grants were allocated to municipalities of 1,500 and under. But among grants in the $10.00-$14.99 range, there begins to emerge a dispersion effect. Forty-eight per cent of these contributions went to communities below the 1,000 level whereas 24 per cent were assigned to the above 5,000 category. The distributive features of the last two grant size groups suggest an important conclusion. ***Regular grants in excess of $15.00 per capita allocated to 32 municipalities were not available to any town above 5,000 and to merely one municipality below 500.*** Of the regular grants between $15.00 and $19.00, fully 70 per cent were allocated to units in the 1,000-2,999 range. Among the grants above $20.00 made to 12 municipalities, 25 per cent went to units below 1,000, while 55 per cent were given to local authorities in the 2,000-3,999 range. This confirms an earlier finding that the present system of regular grants discriminates in favour of the middle-sized local governments, but there are exceptions to this rule.

As could be anticipated, a clearer, more regular pattern emerges when the size of regular grants is correlated with local tax yields. The first two columns of Part B of Table B-8 show an exact correspondence between per capita tax collections and the size of regular grants distributed to 51 municipalities whose tax yields were below $10.00. In other words, *all* the grants allocated that amounted to $10.00 or less were given exclusively to communities raising an equivalent level of taxes. As we move to higher regular grant levels, the allocation ratios indicate a more uneven association be-

Table B-8: Size of Regular Grants Per Capita Related to Population, Tax Yields Per Capita, Density and Social Assistance Levels in 112 Municipalities

	Under $5.00 Per Capita	$5.00- $9.99 Per Capita	$10.00- $14.99 Per Capita	$15.00- $19.99 Per Capita	$20.00 and Above Per Capita
	%	%	%	%	%
A. Population Size	(N-8)	(N-43)	(N-29)	(N-20)	(N-12)
0 - 499	0	2	0	0	8
500 - 999	63	49	48	10	17
1,000 - 1,499	0	30	7	40	8
1,500 - 1,999	12	7	3	10	0
2,000 - 2,999	12	2	10	20	34
3,000 - 3,999	0	5	4	5	25
4,000 - 4,999	0	2	4	15	8
5,000 and above	13	3	24	0	0
	100	100	100	100	100
B. Tax Yield Per Capita					
0 - $ 4.99	100	70	0	5	0
$ 5.00 - $ 9.99	0	30	48	5	0
$10.00 - $14.99	0	0	11	10	0
$15.00 - $19.99	0	0	17	45	0
$20.00 - $29.99	0	0	3	25	33
$30.00 - $39.99	0	0	6	10	34
$40.00 - $49.99	0	0	4	0	8
$50.00 and above	0	0	11	0	25
	100	100	100	100	100
C. Density: Houses Per Mile of Road					
0 - 9	0	5	3	5	0
10 - 19	25	14	17	0	25
20 - 29	38	26	17	25	17
30 - 39	12	16	21	30	16
40 - 49	13	9	14	10	0
50 - 59	12	19	0	10	8
60 - 69	0	6	14	10	25
70 - 79	0	0	3	5	0
80 and over	0	5	11	5	9
	100	100	100	100	100
D. Social Assistance Payments Per Capita					
$ 0 - $ 29	12	9	35	20	42
$ 30 - $ 49	25	19	24	45	25
$ 50 - $ 69	12	16	17	15	33
$ 70 - $ 89	0	19	6	15	0
$ 90 - $109	25	16	14	0	0
$110 - $129	13	16	0	5	0
$130 - $149	0	0	4	0	0
$150 and above	13	5	0	0	0
	100	100	100	100	100

ween grants and revenues. *At the $10.00-$14.99 grant level, for example, almost half of the 29 grants distributed were allocated to units whose tax yields remained below $10.00.* At the next grant interval of $15.00-19.99, however, 45 per cent of the 20 grants were received by communities raising an equivalent amount of local tax revenue. Finally of the 12 grants in excess of $20.00, not one was distributed to a municipality raising a lesser amount by way of taxation. It may be concluded from this pattern that the discrepancies found between the regular grant levels and tax yields is confined exclusively to municipalities whose tax yields fall within the limits of $10.00-$20.00. Within those limits, however, are found one-half the municipalities in the sample. Accordingly, the scope for random associations is quite significant. It will be recalled that the correlation between revenue and road grants (and subsidies) and tax yields produced coefficients of 0.40 and 0.36 respectively. Those numbers are consistent with these findings, which indicate that the deviations in respect of the two series are concentrated in the centre rather than at their extremes. Part C of Table B-8 summarizes the relationship between the size of regular grants and density levels. The coefficient of correlation for density and the revenue plus road grant was −0.02, while that for the subsidy was only 0.10. There is no doubt whatever that this relationship, except possibly for the eight communities receiving grants of under $5.00, is extremely incoherent in nature.

The association among regular grant levels and social assistance payments per capita is indicated in Part D of the table. The coefficients of correlation respecting these variables were earlier shown to be as follows:

	Revenue and Road Grant	Water and Sewerage Subsidy
Short-term assistance	−0.35	−0.03
Long-term assistance	−0.25	−0.16

These results suggest that there was some weak tendency for communities with above-average welfare levels to be the recipients of below-average regular grants. An examination of Table B-8 shows that the 32 municipalities receiving the highest grants (above $15.00) were almost all below the sample average of $61.00. Hence, the largest regular grants are not allocated to municipalities with above average welfare levels, a fact which confirms our earlier comment on the weakly anti-equalization feature of the present system of provincial assistance. This effect is demonstrated more concretely with reference to income levels in the next section of the Annex.

The pattern of interaction between regular and special grants was also examined from the standpoint of the average size of the regular grants. General results of that investigation are presented in Table B-9. Comparable detail in respect of the two cities is also included for purposes of comparison. It is noted in column 3 that the average population of the eight municipalities receiving regular grants below $5.00 per capita is 832. Within the group comprising that average, however, were Port au Port West (460) and Lourdes (467), on the one hand, and Cape St. George (1,595) and Halfway Point (2,027) on the other. In this case, as in many others, the average departs substantially from community realities. However that may be, the eight communities in question received special grants in 1971 that averaged $5.67, an amount somewhat above the level of their regular grants.

Table B-9: Average Grant Interaction Patterns: 114 City and Non-City Municipal Budgets, 1971

Per Capita Grants Regularly Received (Size Intervals)	(1) Number of Municipalities	(2) Number Receiving Water-Sewerage Subsidy	(3) Average Size of Municipality	(4) Average Tax Yield Per Capita	(5) Average Special Grant Per Capita	(6) Municipal Fiscal Dependency on Non-Special Grant	(7) Municipal Fiscal Dependency on All Grants
				$	$	%	%
1. $ 0 - $ 4.99	8	0	832	1.96	5.67	61.7	82.1
2. $ 5.00 - $ 9.99	43	5	1,191	4.57	7.87	58.1	67.0
3. $10.00 - $14.99	29	12	2,732	19.09	13.33	44.8	55.7
4. $15.00 - $19.99	20	17	2,079	19.49	33.27	41.8	60.3
5. $20.00 and above	12	10	2,259	39.15	29.30	38.9	53.2
St. John's ($38.29)*	1	0	88,102	92.82	37.66*	-	27.3
Corner Brook ($32.12)*	1	1	26,309	93.45	16.44*	-	23.6

*City Grants are all Grants Received Per Capita;
In St. John's and Corner Brook the Special Grant is Imputed as the cost to the Province of Supplying City Police and Fire Services.

This anomaly is corrected in the case of the 72 municipalities that received regular grants between $5.00 and $19.99. In these cases, on the average, and with a great many exceptions, the level of special grants was proportional to the average size of regular grants. But for the 32 communities receiving regular contributions in excess of $15.00 per capita, it is clear that average special grants were proportional to the regular contributions. Finally, for the communities receiving above-average regular grants, the special allocations were proportionally much greater. We list in Table B-10 these 12 municipalities that received the highest regular grants per capita, together with their actual populations, local revenues and 1971 grants:

Table B-10: Towns Receiving the Highest Regular Grants Per Capita, 1971

	Population	Regular Grant	Special Grant	Total Local Revenue	MR	SA	Local Tax Effort
		$	$	$	%	$	
1. Buchans*	454	34.71	73.60	57.48	38	0	-
2. Lewisporte*	3,175	31.97	9.21	31.75	38	36	5/70
3. Baie Verte*	2,397	25.25	-	73.38	26	19	37/70
4. Wabush*	3,387	24.75	7.95	68.37	27	2	11/70
5. Springdale*	3,224	24.16	0.38	36.78	40	39	9/70
6. Newtown	513	23.48	13.65	21.63	52	58	-
7. Badger	1,187	23.43	83.12	27.71	46	56	21/70
8. St. Anthony	2,586	23.36	63.11	30.65	43	22	16/70
9. Winterton	794	23.22	67.00	23.04	50	60	12/70
10. Deer Lake*	4,421	21.99	14.35	36.77	37	48	23/70
11. Clarenville*	2,193	20.67	10.36	34.29	38	29	30/70
12. Harbour Grace*	2,771	20.06	8.62	40.92	33	66	3/70
Sub-Group Average	2,258	24.78	29.30	40.23	39	36	17/70
Sample Average	1,858	12.23	13.26	17.32	42	61	35/70

*town or L.I.D. using the real property tax.

Although these municipalities received special grants at a level more than double the sample average, one of the units (Baie Verte) received no special allocation whatever, whereas four (Lewisporte, Wabush, Springdale and Harbour Grace) received below-average contributions. At the other extreme, Badger, Buchans, Winterton and St. Anthony were awarded special grants four-to-five times greater than the sample's per capita average.

It is of some interest that three of these high-grant recipients are municipalities below 1,000 in population, one between 1,000-1.999, four between 2,000-2,999, three between 3,000-3,999, and only one above the 4,000 level. Taken as a whole, the sub-group was above the sample average in terms of population, local revenue yield and local tax effort, but well below the average with regard to the incidence among its units of social assistance payments. Municipalities in this sub-category were slightly below average in the matter of their dependence upon the government for grants, exclusive of the special allocations.

3. Size of Grants and the Use of Real Property Taxation

The relationship between the use of real property taxation and grant levels was also examined by the Commission. It is of interest that three-quarters of the high-grant municipalities listed above use this form of local taxation. It should be borne in mind, however, that the very high loca revenue figures listed for Baie Verte, and to a much lesser degree Wabush and Deer Lake, include industrial contributions to local budgets that generally are unavailable to other units in the sub-group. In those cases the abnormally high total revenue yields are not attributable solely to the real property tax.

It has been demonstrated earlier that the correlates of real property taxation were as follows:

1. Population Size	0.51
2. Population Growth	0.02
3. Density	0.52
4. Income Per Capita	0.90
5. Short-Term Assistance Per Capita	−0.24
6. Long-Term Assistance Per Capita	−0.52
7. Revenue and Road Grant	−0.26
8. Water and Sewerage Subsidy	−0.39
9. Special Grant	−0.15
10. Total Grant	−0.36
11. Total Disposable Revenue	−0.02
12. Municipal Fiscal Dependency	−0.08
13. Local Tax Effort	0.64

These coefficients established the presence of moderate to strong positive associations between real property taxation and income, density, population size and local tax effort. Also noted are the weak to moderate negative correlations with social assistance payments and grants. No coherent statistical relationship was found to exist between real property tax levels and the total size of local budgets or the degree of municipal fiscal dependency. Table B-11 provides more detailed information on the connection between municipal grants and real property taxation. For comparative purposes we have added social assistance payments, the dependency ratio, income per capita in the communities and the degree of local tax effort. (Included in the table are data respecting the two cities and 19 non-city units. Analysis of the series, however, is confined to the towns and districts. The method of analysis is by rank order correlation (Rr) rather than by regression technique.) It is evident that per capita real property tax yields in Newfoundland vary a good deal. The highest yield was reported in Wabush ($56.21) and the lowest in Freshwater ($4.87), with the average being $17.01. The relationship between real property taxation and total local revenue is summarized by the coefficient at the bottom of column (2). There is clearly much variation in the degree to which real property taxation contributed to total local revenue: in Wabush the ratio was 82 per cent but in Baie Verte it was less than 10 per cent. The group average was 48 per cent. The negative bias between regular grants and real property taxation is clearly demonstrated in the table (column 4). Among non-city units using the latter form of taxation, the rank order coefficient of correlation stands at −0.78, which means that in eight out of ten instances, above average tax yields are associated with below-average regular grants. This pattern is consistent with our earlier findings. Special grants, on the other hand, have no coherent relation with real property tax levels (0.01). It should be indicated, however, that while these towns raised local revenues well above the sample average (N-112), they received only moderately higher regular grants. (Freshwater is clearly an exception: it raised below-average local revenues but received a regular grant slightly above the sample average.)

Table B-11: Real Property Tax Yields and Grants Per Capita: City and 19 Town Budgets, 1971

	(1) Real Property Tax Yield (Per Capita)	(2) Total Local Revenue (Per Capita)	(3) Regular Grant (Per Capita)	(4) Special Grant (Per Capita)	(5) Municipal Fiscal Dependency Net Of Special Grant	(6) Social Assistance Payments (Per Capita)	(7) Income per Capita	(8) Local Tax Effort
1. St. John's	54.55	101.71	38.29	-	27	55	2,847	3/72
2. Corner Brook	27.97	104.08	32.12	-	24	41	1,808	2/72
1. Wabush	56.21	68.37	24.75	7.95	27	2	3,508	11/70
2. Labrador City	51.82	81.57	11.49	-	12	4	4,176	28/70
3. Gander	42.26	57.44	12.00	1.28	17	10	2,438	10/70
4. Grand Falls	27.59	76.35	12.19	1.55	14	12	3,592	4/70
5. Mount Pearl	17.99	41.99	12.80	15.41	23	13	-	-
6. Clarenville	17.37	34.29	20.67	10.36	38	29	2,110	30/70
7. Deer Lake	12.37	36.77	21.99	14.35	37	48	1,646	23/70
8. Happy Valley	10.87	36.45	17.92	42.56	33	33	1,682	17/70
9. Stephenville	10.71	45.32	12.14	7.16	21	76	2,105	29/70
10. Channel-Port Aux Basques	10.67	33.61	14.91	14.49	31	23	1,626	24/70
11. Springdale	8.81	36.78	24.16	0.38	40	39	1,552	9/70
12. Lewisporte	8.22	51.96	31.97	9.21	38	36	1,777	5/70
13. Windsor	7.90	36.86	13.81	19.05	27	47	1,317	7/70
14. Harbour Grace	7.43	40.92	20.06	8.62	33	66	1,438	3/70
15. Baie Verte	7.26	73.38	25.25	-	26	19	2,005	37/70
16. Marystown	7.16	26.67	16.00	24.60	38	47	1,120	8/70
17. Placentia	6.83	21.66	14.61	-	40	40	1,562	39/70
18. Carbonear	6.78	29.81	18.27	-	38	22	1,471	19/70
19. Freshwater	4.87	16.83	13.33	15.33	44	70	1,004	27/70
Sub-Group Average (N-19)	17.01	44.58	17.81	10.12	30	33	2,007	18/70
Sample Average (N-112)	-	17.32	12.23	13.26	42	61	1,381	35/70
Rank Order Correlation (Rr)	1.00	0.6579	−0.7779	0.0115	−0.2965	−0.4009	0.8649	0.0946

Tax yields for Labrador City and Wabush are for 1970. Grants to St. John's and Corner Brook include all provincial assistance, including the cost of city fire and police services. Since the income for Mount Pearl is reported in the St. John's total, the Commission was unable to compute its tax effort rating. We have arbitrarily assigned it an income rank of 5, following Gander, and a tax effort rating of 10, following Springdale.

The towns of Lewisporte ($31.97) and Baie Verte ($25.25) received the highest regular grants; but no fewer than four units were given grants below the average for the entire sample: i.e., Gander ($12.00), Grand Falls ($12.19), Labrador City ($11.49) and Stephenville ($12.14). This effect illustrates the impact of the revenue grant on the larger centres. Other units receiving low regular grants include the following: Freshwater ($13.33), Placentia ($14.61), Windsor ($13.81) and Channel-Port aux Basques ($14.91). The special allocations to all of these towns, on the other hand, were slightly below the average. Four of the 19 municipalities received no special grant during 1971. The rank order coefficients relating real property taxation to income, fiscal dependency, social assistance and local tax effort (columns 5-8) are consistent with the regression (Pearson) coefficients listed earlier. As a group, towns using the property tax have a lower average dependency ratio (30%) than the average for the entire sample of 112 municipalities (42%). Their social assistance payments ($33) were at one-half the level for the sample ($61). Their average income and tax effort was above the average. It should be noted, however, that taken by themselves, these municipalities display little consistency in this last respect. The coefficient relating real property tax yields to local tax effort is only 0.09.

In order to demonstrate the differential impact of grants upon towns using and towns not using the real property tax, the Commission has prepared a comparison set out in Table B-12. Because of an irregular distribution in the use of the latter tax — all eight municipalities in the sample above 4,000, for instance, employ the real property levy — it was only possible to compare grant levels and municipal budgets in medium-sized communities. Wherever possible, we have attempted to secure a close population match among the paired units. (Towns are ranked in this table in terms of the yield of their real property taxes. Because nine of the larger units are excluded, the average tax yield for this sub-group ($9.27) falls below the average of the 19 municipalities examined in the previous table ($17.01). The average proportional contribution of the tax to total local revenue (25%) is significantly below the level found in the case of the full sub-group as well (48%). It is thus apparent that the smaller the town, the smaller the contribution of the real property tax to local revenue. But Clarenville, with a ratio of 51 per cent, is obviously an exception to this rule.)

As we should expect, the average local revenue for the towns with real property taxation ($37.57) is significantly greater than in the case of the municipalities not using the tax ($19.18). But three towns without real property taxation do achieve moderate local revenue yields: Grand Bank ($37.02), St. Anthony ($30.65) and Harbour Breton ($28.50). *Indeed, the local revenue yield of the first town reaches the average for the towns with property taxation.* Five of the towns without property taxation had local revenues in excess of the full sample average. The exceptional case of Freshwater is again apparent: although it uses the real property levy, its total local revenue ($16.83) fell below the average for the towns without the tax ($19.18).

Property tax towns received regular grants which averaged $19.90 in 1971, as compared with only $13.40 in the case of the other units. (The average for the entire sample was $12.23.) Among the latter municipalities, St. Anthony had a regular grant ($23.36) larger than the average for the

Table B-12: Grant Impact on 10 Towns with Real Property Taxation and 10 Towns without Property Taxation, 1971

Towns With Real Property Tax	Population	Property Tax Yield (Per Capita) $	Total Local Revenue (Per Capita) $	Regular Grant (Per Capita) $	Special Grant (Per Capita) $	Income (Per Capita) $	Local Tax Effort
1. Clarenville	2,193 (8)	17.37 (1)	34.29 (6)	20.67 (4)	10.36 (5)	2,110 (1)	30/70 (8)
2. Deer Lake	4,421 (4)	12.37 (2)	36.77 (4)	21.99 (3)	14.35 (4)	1,646 (5)	23/70 (5)
3. Happy Valley	4,937 (2)	10.87 (3)	36.45 (5)	17.92 (7)	42.56 (1)	1,682 (4)	17/70 (3)
4. Channel-Port Aux Basques	5,942 (1)	10.67 (4)	33.61 (7)	14.91 (8)	14.49 (3)	1,626 (6)	24/70 (6)
5. Lewisporte	3,175 (5)	8.22 (5)	51.96 (2)	31.97 (1)	9.21 (6)	1,777 (3)	5/70 (2)
6. Harbour Grace	2,771 (6)	7.43 (6)	40.92 (3)	20.06 (5)	8.62 (7)	1,438 (9)	3/70 (1)
7. Baie Verte	2,397 (7)	7.26 (7)	73.38 (1)	25.25 (2)	- (8)	2,005 (2)	37/70 (9)
8. Placentia	2,211 (9)	6.83 (8)	21.66 (9)	14.61 (9)	- (9)	1,562 (7)	39/70 (10)
9. Carbonear	4,732 (3)	6.78 (9)	29.81 (8)	18.27 (6)	- (10)	1,471 (8)	19/70 (4)
10. Freshwater	1,562 (10)	4.87 (10)	16.83 (10)	13.33 (10)	15.33 (2)	1,004 (10)	27/70 (7)
Sub-Group Average	3,434	9.27	37.57	19.90	11.49	1,632	22/70
Sub-Group Average (N-19)	4,768	17.01	44.58	17.81	10.12	2,007	18/70
Sample Average (N-112)	1,858		17.32	12.23	13.26	1,381	35/70
Towns Without Real Property Tax							
11. Harbour Breton	2,196 (9)		28.50 (3)	16.82 (3)	18.81 (4)	1,087 (6)	20/70 (3)
12. Bay Roberts	3,702 (5)		9.75 (7)	10.81 (7)	- (9)	1,416 (4)	54/70 (10)
13. Bishop's Falls	4,133 (3)		23.17 (4)	12.64 (6)	21.52 (3)	1,354 (5)	32/70 (5)
14. Wabana	5,420 (1)		6.25 (10)	6.88 (10)	18.30 (5)	701 (9)	51/70 (9)
15. Grand Bank	3,476 (4)		37.02 (1)	18.24 (2)	1.10 (8)	1,505 (2)	18/70 (2)
16. Burin	2,756 (6)		20.49 (5)	14.31 (4)	13.14 (6)	1,532 (1)	38/70 (6)
17. St. Anthony	2,593 (7)		30.65 (2)	23.36 (1)	63.11 (1)	1,446 (3)	16/70 (1)
18. Burgeo	2,226 (8)		19.45 (6)	15.40 (5)	42.05 (2)	1,066 (7)	22/70 (4)
19. Bonavista	4,215 (2)		9.41 (8)	8.04 (8)	1.78 (7)	874 (8)	41/70 (7)
20. Hare Bay	1,485 (10)		7.13 (9)	7.52 (9)	- (10)	618 (10)	50/70 (8)
Sub-Group Average	3,220		19.18	13.40	17.98	1,160	34/70
Sub-Group Average (N-19)	4,768		44.58	17.81	10.12	2,007	18/70
Sample Average (N-112)	1,858		17.32	12.23	13.26	1,381	35/70

former units ($19.90). Freshwater's regular grant, on the other hand, was approximately the same as the average grant in the non-property tax towns. The extreme variation found among regular grants in the case of towns without property tax should be noted. In contrast with the reasonably moderate grant received by St. Anthony, for instance, are the extremely low values reported for Wabana ($6.88), Hare Bay ($7.52), Bonavista ($8.04) and Bay Roberts ($10.81). The relationship between these very low grants, all of which are below the sample average, and both income per capita and tax effort is of some interest. The last three towns are well below the sample average income ($1,381); Bay Roberts, however, was above the average in this respect. But all four units had a combined local tax effort rating of only 49/70, well below the sample average of 35/70. Although the 10 towns without property tax had incomes ($1,160) well below the average for the entire sample ($1,381) (and to an even greater extent below the average for the property tax towns, namely $1,632), many of them individually had above-average incomes (e.g., Burin, Grant Bank and St. Anthony). The combined local tax effort rating for these three towns averaged 24/70.

A somewhat contrasting pattern of special grant allocations is apparent in Table B-12. Towns with property taxation received an average special grant of $11.49, slightly below the sample average ($13.26). But three of these units were given no grant whatever. Towns without the real property tax, on the other hand, received special contributions averaging $18.00, or somewhat above the sample mean value. (The actual average as distinct from the group average for each town category was $16.28 and $22.00 respectively). Two of the latter towns received no special grants, while two received very small contributions of less than $2.00 per capita. Municipalities with very high special grants can be found in both town categories: e.g., Happy Valley ($42.56), St. Anthony ($63.11) and Burgeo ($42.05).

4. Size of Grants and Local Tax Effort

We wish to close this aspect of the inquiry with a brief reference to the level of grants in relation to the local tax effort of municipalities. In Table B-10 it was shown that the 12 towns receiving the highest regular grants recorded very high average local tax efforts as well. Later tables conveyed the same impression, as follows:

		Total Regular Grant Per Capita	Average Local Tax Effort Rating
Table B-10	12 towns with highest regular grant yield	$24.78	17/70
Table B-11	19 towns with real property taxation	$17.81	18/70
Table B-12 (1)	10 towns with real property taxation	$19.90	22/70
(2)	10 towns without real property taxation	$13.40	34/70

This key relationship was explored earlier in the report. The correlations between regular grant levels and local tax effort, except in the case of water subsidies, were found to be weakly associated at roughly the 0.25 level. Since the revenue grant in particular rewards municipalities in terms of tax yields, the relationship of those yields to municipal taxable capacity is of considerable importance. Let us assume for the moment that a municipality's taxable capacity is adequately indicated by its income per capita. That capacity, we assume, would tend to reach its uttermost limit of use in the case of those local governments that ranked highest on the tax effort scale (1-70). Let us assume, further, that local need is constant among all units. Within this framework, we next compare the budgets of four groups of generally below-average sized communities. Each of these groups has three municipalities possessed of the following characteristics:- Group 1: very low average income per capita but the highest local tax effort rating; Group 2: average incomes and average tax efforts; Group 3: above average incomes and low tax efforts; and Group 4: low average incomes and very low tax efforts. The grant impact on these budgets is outlined in Table B-13. In this analysis we are interested primarily in the behaviour of the revenue and road grant yields. Since in 1971 units in the first two groups were the only ones with reasonably complete water systems in place, the revenue and road grant yields exclude those portions of the revenue grant which in the financial statements are assigned to the utility sections. The amounts in the revenue and road grant column thus do not include, in the case of the two first groups, all of the revenue grants actually received, but only that portion of them available for general (non-utility) use by the municipalities. This method of presentation has the advantage of excluding the distorting effect of differing service levels among units in the sub-sample. It also will explain why, in the case of the first two groups, the revenue and road yields often fall below the tax yields. (This effect should not occur to a marked degree in units with revenue yields in these ranges).

When they are examined in this fashion, it seems apparent that revenue and road grants, as defined in this manner, are completely inequitable. We know from previous evidence that the degree of association between local tax effort and community income levels in Newfoundland is almost negligible (0.06). For the entire sample, there is an almost equal likelihood that high income municipalities will be exerting low or high fiscal effort. The same is true for low income units. In this comparison, however, we have deliberately chosen to illustrate the maximum limits of variation in the relationship between revenue and road grants, on the one hand, and tax effort on the other. And the adjustment in the revenue grant amounts should control to some extent for differing needs as they are influenced by costly water services. These limits are suggested in the budget patterns of municipalities in groups 1 and 3. In the first group tax effort ratings are at extremely high levels due in part to very low incomes and to high taxation levels. In the third group we find three units with above average incomes and extremely weak tax efforts. No municipalities in the sub-sample use the real property tax. But the tax yields of the first two groups are inflated by the imposition of water service monthly user fees. The point of this comparison, however, is not to examine tax yields in relation to grants.

When the amounts of revenue and road grants for group 1 and group 3 are studied, it will become evident that an inverse relation actually exists between them and the tax efforts exerted. Robert's Arm ($8.28), which has the highest tax effort in our entire sample, received a smaller allocation than

Table B-13: Revenue and Road Grant Impact Related to Local Tax Effort in Twelve Municipalities: 1971 Budgets

	Tax Effort Rating	Income (Per Capita)	Tax Yield (Per Capita)	Revenue and Road Grants (Per Capita)	Water-Sewerage Contribution (Per Capita)	Sub-Total	Special Grant (Per Capita)	Total Grant (Per Capita)
Group 1								
Robert's Arm	1/70	223	15.65	8.03	8.28	16.31	18.40	34.71
South Brook	2/70	167	8.40	8.29	4.73	13.02	2.37	15.37
Jerseyside	6/70	778	19.02	8.63	9.18	17.81	33.11	50.92
Group 2								
Glenwood	31/70	1370	18.94	8.54	11.40	19.94	40.23	60.17
Dunville	34/70	1300	17.96	6.29	9.16	15.45	95.69	111.14
Ramea	40/70	1319	13.44	10.27	4.98	15.25	2.16	17.41
Group 3								
Pasadena	53/70	1814	12.39	13.83	-	13.83	35.35	49.18
Holyrood	67/70	1792	8.49	12.18	-	12.18	14.82	27.00
South River	60/70	1429	8.83	12.79	-	12.79	6.81	19.60
Group 4								
Pt. Leamington	65/70	840	4.17	8.80	-	8.80	9.05	17.85
Musgrave Harbour	62/70	809	4.47	7.13	-	7.13	-	7.13
St. George's	57/70	1088	6.44	8.19	-	8.19	-	8.19

Holyrood ($12.18). The latter town's tax effort ranked only 67/70. When the average income and tax effort budgets (group 2) are examined, much the same pattern is observed: the average grant level for the third group remains higher. This is also the case when the fourth group is drawn into the comparison. *The implication of this evidence suggests to the Commission that an important component of regular grants is not particularly sensitive to variations in local tax effort, when some control is imposed with respect to population, income and service level differences among municipalities.* It also is consistent with the earlier finding that the revenue and road grant correlates with local tax effort only at the level of 0.24. The stronger association between all regular grants and local tax effort noted earlier in the case of the larger towns, and of those receiving higher provincial contributions, begins to emerge when the sub-total column in Table B-13 is studied. At this level of aggregation, when the effect of other regular grants is added, a somewhat direct or positive association emerges with regard to the tax efforts. But, clearly, at the next level of aggregation, the impact of extreme variation in the special allocations tends to introduce further irregularity between total grants and local tax effort.

5. Summary Analysis of Existing Grant Impact: Seven Primary Tests

This investigation of Newfoundland's system of municipal fiscal assistance has produced few generalizations that can be maintained with much confidence. Patterns of variation are extensive and the interrelations among the grant components are complex and often uncertain. The Commission has found that in more than one-third of the municipalities, a combination of the revenue and road grant exceeds the annual amount raised exclusively from local sources. In nearly half of all the 1971 budgets examined, on the other hand, the special contributions exceeded the revenue grant in size, while in one-fifth of these cases they were larger than locally-raised revenue. (Badger, for example, collected $27.71 per capita in 1971 but received regular grants of $23.43 and a special allocation of $83.12. Thus, it raised only 20 per cent of its budgetary requirement in that year. And we note that 1971 was not an unusual year in this particular instance.) It is estimated, indeed, that exclusive of capital and special assistance, fewer than one-quarter of all local authorities really obtain from their citizens even one-half of their current revenue requirements.

In order to summarize the budgetary impact of this unique system of financial assistance, the Commission sets out seven basic propositions or rules. These generalizations are either true in a computational sense (as indicated in averaged presentations made earlier) or they can be held as hypotheses to be tested with reference to local budgetary behaviour. These propositions are as follows:

(1) regular grants tend to increase with population and total local revenue yields;
(2) special grants tend to rise as municipal population grows;
(3) total local revenue tends to increase with population;
(4) the level of municipal dependence upon total grants tends to have an inverse relationship with the size of local population;

(36%). There is thus some tendency for regular grants to be associated inversely with community income. As with the former group, there are few exceptions to Rule 7. *The most exceptional budgets in this size group include those of Halfway Point, etc. (a thoroughly under-developed municipality), St. George's, Stephenville Crossing, St. Lawrence, Dark Cove-Gambo, Harbour Breton and Burgeo. But there are many units whose fiscal experience conforms strongly to our seven rules: e.g., Burin, Fortune, Placentia and Baie Verte.*

(5) The next size group contains five local authorities with high deviation rates with respect to Rule 2 (100%). This implies, in effect, that all five units received below-average special grants. *One municipality in this group is exceptional* in many respects, namely Bay Roberts. It alone accounts for the 20 per cent ratio *appearing in the table. Except for some increased deviation in the case of Rule 7, the other municipalities have very typical budget patterns: i.e., Lewisporte, Springdale, Wabush and Grand Bank.* (In a manner not specified in this analysis, the latter town is exceptional in its capacity to raise substantial local revenue without resort to the real property tax). In this group, unlike the second size category, the typical budgets are found in well-developed municipalities.

(6) Six of Newfoundland's larger towns are included in the size group 4,000-4,999. Table B-17 indicates deviation ratios at significant levels in respect of Rules 2 (33%), 4 (50%), 5-1 (33%) and 5-2 (50%). (The towns in question are Bishop's Falls, Bonavista, Deer Lake, Carbonear, Happy Valley and Marystown.) Such a deviation pattern implies that the budgetary conditions prevailing in these communities included below-average special grants, a very high dependency ratio on provincial assistance, a somewhat inverse relation as between regular grants and income, and a tendency for special grants to be associated with above-average income. *Among these units, the atypical features of Bonavista's budget pattern are noteworthy.*

(7) The last three size groups in our sample include the following towns: Channel-Port aux Basques and Wabana (5,000-5,999), Windsor (the sole occupant of the category 6,000-6,999) and the five larger municipalities above 7,000: Mount Pearl, Gander, Labrador City, Grand Falls and Stephenville. *The special case of Wabana was noted earlier.* In all but one instance, it accounts for the 50 per cent deviation ratios across the table. By contrast, Port aux Basques' budget, except for an exception in regard to Rule 5-2, is quite typical in relation to our specified rules. Windsor, too, has very regular budgetary conditions as herein defined but deviates in the case of Rule 5-1. Accordingly, its regular grant is above-average in relation to its below-average income level. In the largest towns, high deviation ratios are apparent in respect of Rules 1 (80%), 5-1 (80%), 6 (60%) and 7 (80%). These deviations are a function of the negative grant discrimination described earlier. As we have seen, these towns do not receive regular grants commensurate with their populations; their social assistance payments per capita do not relate inversely to regular grant allocations (both are low in these cases); and, lastly, their total grants do not relate strongly to their local tax effort. In this last respect, with the exception of Stephenville and Mount Pearl, they have very high ratings indeed.

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7. Deviation Patterns Related to the Size of Regular Grants (7 Generalizations)

The Commission has examined, finally, the general structure of budgetary deviation in relation to the relative levels of grants regularly received by municipalities during 1971. We have already seen that *24 units with the heaviest incidence of departure from the seven budgetary norms tended as well to be the recipients of above-average regular contributions from the Province.* (The level of grant support for each unit was determined simply by ranking it on a scale established by the relationship of its own grant to the sample's average grant. By these approximations, 50 of the municipalities received support above the base level while 61 units were supported below that level.) The general relationship which has been found to exist between patterns of fiscal deviation and the intensity of support through regular grants is suggested in Table B-18:

Table B-18: Exceptional Budgets and Regular Grant Size, 1971

Grant Size Group	Number of Municipalities Receiving Regular Grants	Number of Exceptions	% Municipalities	% Exceptions	% Difference
1. (highest)	9	22	8	10	+ 2
2.	4	7	4	3	− 1
3.	7	19	6	9	+ 3
4.	14	41	13	19	+ 6
+ 5.	16	40	14	18	+ 4 +
− 6.	15	38	14	17	+ 3 −
7.	8	12	7	5	− 2
8.	16	15	14	7	− 7
9.	16	19	14	9	− 5
10. (lowest)	6	8	5	4	− 1

As a result of this comparison, the Commission concludes that the incidence of fiscal deviation is strongest among municipalities receiving regular grants slightly above-average (Groups 4 and 5), less pronounced among the highest grant recipients (Groups 3 and 1) and among those slightly below the normal level (Group 6). *It is clear, however, that the overall average of deviations is much stronger among units receiving larger regular grants than in the case of those receiving smaller contributions. Since many of the latter are concentrated in the lower size groups, this result is not unexpected.*

The relationship between grant size and the frequency of particular deviations from the seven criteria is summarized in the accompanying ratio Table B-19. As before, two separate frequency measures are provided. The unbracketed numbers indicate the percentage of exceptions in relation to the number of municipalities (or, more accurately, their grants) contained in each size group. The bracketed numbers, on the other hand, indicate the percentage of deviations found in each size category. In the case of this table, we proceed from the bottom, lower categories to the higher groups.

(5-1) regular contributions tend to increase as community income per capita rises;

(5-2) special contributions tend to increase as community income per capita falls;

(6) regular grants tend to be inversely related to social assistance payments per capita in municipalities; and

(7) the level of total grants has a tendency to increase as local tax effort rises.

In an effort to obtain a clearer picture of the impact of grants, the local authorities whose budgetary conditions did not conform to these seven primary rules were isolated and examined. In the following pages we first present the results of this exercise. There then follows an examination of the exceptional patterns in relation to the size of municipalities and the level of the contributions which they regularly received during 1971.

(i) *Rule 1 and Exceptions*

It is clear that in a very general sense, and in the case of units with up to approximately 4,500 inhabitants, per capita regular grants tend to rise in a somewhat uneven sympathy with both population and local revenue increases. There are, it is obvious, many exceptions to the rule in particular municipal practice, in part due to federal grants which inflate the local revenue estimates, in part because of the relatively heavy weight of non-tax revenue available to some local authorities, and in part because a growing number of units in the middle and lower population ranges are in receipt of annual water and sewerage subsidies that add a permanent and sometimes large increment to the contributions received regularly from the Province. For these and other reasons, including varying local tax effort, many exceptions to this first general rule will appear. A substantial number of small and medium-sized units will accordingly be seen to receive above-average regular grants, while a smaller but still significant number of large municipalities receive below average regular contributions. Municipalities identified in this study that obviously fall into the first pattern include the following:

Exceptions to Rule 1: Small Units With Above-Average Regular Grants

Municipality	Population	Local Revenue	Regular Grant	Special Grant	Social Assistance	Local Tax Effort
		$	$	$	$	
Sample Average	1,858	17.32	12.23	13.26	61	
1. Buchans	454	57.48	34.71	73.60	0	-
2. Newtown	513	21.63	23.48	13.65	58	-
3. South River	554	9.75	12.79	6.81	25	60/70
4. Port Union	578	8.48	12.34	-	50	56/70
5. Port Saunders	637	14.13	12.38	-	50	-
6. Cupids	691	9.98	13.27	24.66	16	58/70
7. Seal Cove	698	17.04	12.26	3.80	38	-
8. Winterton	794	23.04	23.22	67.00	60	12/70
9. South Brook	802	11.22	13.02	2.37	33	2/70
10. Arnold's Cove	919	12.73	15.98	3.26	63	47/70
11. Pasadena	964	20.02	13.83	35.35	21	53/70
12. Glenwood	979	20.02	19.94	40.23	118	31/70

13. Robert's Arm	1044	19.54	16.31	18.40	70	1/70
14. Jerseyside	1061	23.28	17.81	33.11	38	6/70
15. Wesleyville	1142	19.44	17.72	20.09	25	15/70
16. Badger	1187	27.71	23.43	83.12	56	21/70
17. Ramea	1208	15.64	15.27	2.16	35	40/70
18. La Scie	1255	14.50	15.23	-	61	-
19. Twillingate	1437	16.70	15.71	4.72	30	52/70
20. Trepassey	1433	14.13	12.48	1.73	41	45/70
21. Badger's Quay, etc.	1475	32.53	19.81	23.19	23	-
22. Freshwater	1562	16.83	13.33	15.33	70	27/70
23. Dunville	1742	29.21	15.45	95.69	44	34/70

All of the above units are exceptions to the rule that as population rises the level of general grants rises. The strongest exceptions include Buchans, Newtown, Winterton, Badger, Arnold's Cove, Glenwood, Jerseyside and Badger's Quay. No fewer than 13 of these units (57%) raise below-average local revenue per capita; only one of them (Freshwater) uses the real property tax. Another 13 (57%) received above-average special grants in 1971. Fully 17 of them (nearly three-quarters) had below-average welfare payments. More than 40 per cent of units for which income data were obtained had below-average tax effort ratings.

It is clear from this analysis that out of 76 municipalities of below-average size in the sample, 23 (or more than 30%) constitute exceptions to our first rule. Among the remaining 35 units in the sample, the following exceptions to the rule appeared:

Exceptions to Rule 1: Large Units With Below Average Regular Grants

Municipality	Population	Local Revenue	Revenue Grant	Special Grant	Social Assistance	Local Tax Effort
1. Stephenville	7770	45.32	12.14	7.16	76	29/70
2. Grand Falls	7677	76.35	12.19	1.55	12	4/70
3. Gander	7748	57.74	12.00	1.28	10	10/70
4. Labrador City	7622	81.57	11.49	-	4	28/70
5. Wabana	5420	6.25	6.88	18.30	48	51/70
6. Bonavista	4215	9.41	8.04	1.78	96	41/70
7. Bay Roberts	3702	9.75	10.81	-	25	54/70
8. Dark Cove-Gambo	2586	7.57	9.82	21.00	34	-
9. St. George's	2082	12.19	8.19	-	76	57/70
10. Halfway Point, etc.	2027	2.51	2.35	2.47	7	-
11. St. Alban's	1941	6.28	7.87	-	108	43/70

Because of the decreasing scale of the revenue grant formula, combined with its upper limit of $75,000 (as it was in 1971), some of these exceptions could be anticipated. In any case, the regular grants allocated to the first four largest units are very near the provincial average figure of $12.23. The units that most strongly deviate from our rule include Halfway Point, Wabana, St. Alban's, Bonavista and Bay Roberts. It should be noted that all of these exceptions, save the first four, are far below the sample average local revenue yield of $17.32, and that none of them, except Wabana and

Dark Cove-Gambo, received special grants above the average. The four larger units on the list have the highest tax effort ratings but five of the nine municipalities evaluated were below the average. Only four were below-average in terms of social assistance levels.

The exceptional municipalities listed above numbered 11 out of a possible 35, or about 31 per cent of all units with above-average populations. Total exceptions to the first rule, therefore, numbered 34, or 31 per cent of the sample. This result is of interest in relation to the Pearson coefficient of correlation presented earlier, which indicated a sample-wide statistical association between population size and the revenue and road grant of −0.15, and between population and the water and sewerage subsidy of −0.02. These indices are much more refined measures than the rough comparisons that we have undertaken. They indicate virtually no viable relationship between the regular grants and the size of local population. This exercise, however, is in general consistent with the earlier findings.

(ii) *Rule 2 and Exceptions*

The second rule is that, except for the largest municipalities, special grants tend to rise with population. This generalization is more tenuous than the first, due to the behaviour of special grants noted earlier in this section. The coefficient of correlation for this relationship was found to be 0.12. Here the bias is positive, as compared with a negative direction in the case of the non-special contributions, but both measures indicate virtually no coherent association. Examination of the actual budgetary data reveals a great many important exceptions to Rule 2. Since the average special grant was $13.26 per capita, some of the strongest anomalies in 1971 include the following units: Buchans ($73.60); Hant's Harbour ($17.20); Change Islands ($15.93); Cupids ($24.66); Brigus ($27.97); Winterton ($67.00); Clarke's Beach ($22.27); Pasadena ($35.35); Glenwood ($40.23); Robert's Arm ($18.40); Jerseyside ($33.11); Wesleyville ($20.09); Badger ($83.12); Holyrood ($14.82); Badger's Quay ($23.19); Pouch Cove ($17.53); Freshwater ($15.33); and Dunville ($95.69). Among the larger units the following exceptions appear: Carbonear (no grant); Bonavista ($1.78); Bay Roberts (no grant); Grand Bank ($1.10); Wabush ($7.95); Springdale ($0.38); Lewisporte ($9.21); Harbour Grace ($8.62); Baie Verte (no grant); Placentia (no grant); Clarenville ($10.36); Fortune ($8.29); Stephenville Crossing (no grant); St. George's (no grant); and Halfway Point, etc. ($2.47).

(iii) *Rule 3 and Exceptions*

Next, there is the third rule. It is that local revenue per capita tends to rise as population rises. Because of the great weight of the revenue grant among all regular contributions, this rule has an important place as a possible determinant of total municipal grant levels. We have earlier seen that the coefficient of correlation in this regard reached the moderately strong level of 0.60. While this key relationship is less irregular than most of the previous ones, it too admits of many exceptions. We have identified at least 20 major anomalies among the 111 budgets that were studied. (Reference to Table B-1 will indicate that the average population of our sample was 1,858 and that average total local revenue per capita was $17.32).

Exceptions to Rule 3

Above-Average:
Below-Average Units

1. Halfway Point, etc. (2,027-$2.51)
2. St. George's (2,082-$12.19)
3. Stephenville Crossing (2,129-$16.34)
4. Dark Cove-Gambo (2,586-$7.57)
5. Bay Roberts (3,702-$9.75)
6. Bonavista (4,215-$9.41
7. Wabana (5,420-$6.25)

Below-Average:
Above-Average Units

1. Buchans (454-$57.48)
2. Newtown (513-$21.63)
3. Cormack (561-$39.04)
4. Winterton (794-$23.04)
5. Pasadena (964-$20.02)
6. Glenwood (979-$20.02)
7. Robert's Arm (1,044-$19.54)
8. Englee (1,050-$18.19)
9. Jerseyside (1,061-$23.28)
10. Wesleyville (1,142-$19.44)
11. Badger (1,187-$27.71)
12. Badger's Quay-
    Valleyfield-
    Pool's Island (1,457-$32.53)
13. Dunville (1,742-$29.21)

These exceptions constitute 18.9 per cent of the sample.

(iv) *Rule 4 and Exceptions*

A fourth rule is that, whatever their separate impact patterns might be, the regular and special grants combine to produce an inverse relationship between population and the level at which municipalities are dependent upon provincial fiscal assistance. Earlier it was shown that the coefficient of correlation between population size and municipal reliance upon total grants was −.33. But in Table B-1 it was seen that among the 48 smallest municipalities the average dependency ratio was at its highest — nearly 70 per cent — and that it fell progressively to the low average level of 22 per cent among the five largest towns. Despite this apparent regularity, there are numerous exceptions to Rule 4 as well. The average fiscal dependency ratio for our sample, it will be remembered, was 60 per cent, while its population average was 1,858.

Exceptions to Rule 4

Below-Average Units

1. Hare Bay (52-1,485)
2. Badger's Quay, etc. (57-1,457)
3. Trepassey (50-1,443)
4. La Scie (51-1,255)
5. Whitbourne (57-1,235)
6. Musgrave Harbour (60-1,232)
7. Ramea (53-1,208)
8. Fogo (42-1,155)
9. Englee (35-1,050)
10. South Brook (58-802)
11. Port Union (59-578)
12. Lamaline (55-553)
13. Northwest River (51-915)
14. Carmanville (44-839)
15. Seal Cove (49-689)
16. Port Saunders (47-637)

Above-Average Units

1. St. Anthony (74-2,593)
2. Dark Cove-Gambo (84-2,586)
3. Burgeo (75-2,226)
4. St. Lawrence (86-2,173)
5. Halfway Point (65-2,027)
6. Marystown (61-4,960)
7. Happy Valley (63-4,937)
8. Bishop's Falls (61-4,133)
9. Wabana (80-5,420)

These exceptions, while not numerous, are sufficiently impressive to suggest that a considerable degree of caution is needed when interpreting the averaged data contained in this report. The below-average exceptions amount to 20 per cent of all municipalities below the sample's average population. The equivalent ratio for the above-average exceptions is nearly 26 per cent. And these latter exceptions, it may be observed, are among the most developed municipal units in the province.

(v) *Rule 5-1 and Exceptions*

A fifth rule has two parts. The first is that the level of regular grants tends to increase as community income per capita increases. Earlier it was suggested that, taken as a whole, grant levels for the 70 larger municipalities correlated with income in a perfectly incoherent manner (0.00). When specific grant components were examined, however, it was found that the combined revenue and road grants correlated at the level of 0.45 and the subsidies and special contributions at −0.05. At this level of analysis the special grants obviously countervail the moderately positive income bias of the revenue grant (0.50). Confining ourselves exclusively to regular grants, we find the following exceptions to the general rule, derived as before from deviations from the sample averages ($1,381 in the case of income per capita and $12.23 per capita for regular grants):

Exceptions to Rule 5 (Regular Grants)

***Above-Average Income -
Below-Average Grant***

1. Grand Falls ($3,592-$12.19)
2. Gander ($2,438-$12.00)
3. Labrador City ($4,176-$11.49)
4. Stephenville ($2,105-$12.14)
5. Bay Roberts ($1,416-$10.81)
6. Clarke's Beach ($1,462-$11.29)
7. Holyrood ($1,792-$12.18)
8. Whitbourne ($1,391-$8.76)

***Below-Average Income -
Above-Average Grant***

1. Robert's Arm ($223-$16.31)
2. South Brook ($167-$13.02)
3. Jerseyside ($778-$17.81)
4. Windsor ($1,317-$13.81)
5. Marystown ($1,120-$16.00)
6. Winterton ($1,034-$23.22)
7. Wesleyville ($792-$17.72)
8. Harbour Breton ($1,087-$16.82)
9. Badger ($1,325-$23.43)
10. Burgeo ($1,006-$15.40)
11. Glovertown ($1,034-$15.45)
12. St. Lawrence ($1,181-$15.46)
13. Freshwater ($1,004-$13.33)
14. Glenwood ($1,370-$19.94)
15. Bishop's Falls ($1,354-$12.64)
16. Stephenville Crossing ($1,089-$14.92)
17. Dunville ($1,300-$15.45)
18. La Scie ($994-$15.23)
19. Ramea ($1,319-$15.25)
20. Trepassey ($1,300-$12.48)
21. Arnold's Cove ($955-$15.98)
22. Port Union ($1,270-$12.34)

In no fewer than 30 instances out of the 70 larger towns surveyed (45%) there were exceptions to rule 5-1.

(vi) *Rule 5-2 and Exceptions*

If the rule is reversed for the special grants, and it is assumed that they have an equalizing effect (i.e., as income rises grants would tend to fall), the following exceptions appear:

Exceptions to Rule 5-2 (Special Grants: Average $13.26)

***Above-Average Income -
Above-Average Grant***

1. St. Anthony ($1,446-$63.11)
2. Happy Valley ($1,682-$42.56)

***Below-Average Income -
Below-Average Grant***

1. South Brook ($233-$2.37)
2. Belleoram ($421-$5.28)

3. Deer Lake ($1,646-$14.35)
4. Channel-Port aux Basques ($1,626-$14.49)
5. Pasadena ($1,814-$35.35)
6. Cupids ($1,567-$24.66)
7. Clarke's Beach ($1,462-$22.27)
8. Holyrood ($1,792-$14.82)

3. Stephenville Crossing ($1,089-nil)
4. La Scie ($994-nil)
5. Englee ($584-nil)
6. Ramea ($1,319-$2.16)
7. Bonavista ($874-$1.78)
8. Fogo ($720-nil)
9. St. Alban's ($645-nil)
10. Lawn ($557-$10.64)
11. Trepassey ($1,300-$1.73)
12. Elliston ($720-$1.81)
13. Arnold's Cove ($955-$3.26)
14. Little Catalina ($637-nil)
15. Hare Bay ($618-nil)
16. Roddickton ($720-$5.97)
17. Port Union ($1,270-nil)
18. St. George's ($1,088-nil)
19. Lamaline ($1,210-nil)
20. Spaniard's Bay ($1,020-$12.01)
21. Musgrave Harbour ($809-nil)
22. Catalina ($1,252-$3.09)
23. Point Leamington ($840-$9.05)
24. Gaultois ($1,170-nil)

In this instance the exceptions number 32, or nearly one-half the sub-sample. An examination of the two lists indicates there was in fact a substantial difference in the impact of regular and special grants when their distribution was related to income. The differential effect is summarized in Table B-14 as follows:

Table B-14: Income-Related Equalization and Anti-Equalization of Regular and Special Grants, 1971

	Regular Grants	Special Grants	Total Grants
(1) Above-Average Income - Below-Average Grant	8	19	27
(2) Above-Average Income - Above-Average Grant	19	8	27
(3) Below-Average Income - Above-Average Grant	22	18	40
(4) Below-Average Income - Below-Average Grant	21	25	46
(1) + (3) =	30 (43%)	37 (53%)	67 (48%)
(2) + (4) =	40 (57%)	33 (47%)	73 (52%)

The income-related equalization effect of grant impacts is found in items (1) and (3) above, and their anti-equalization effect is seen in items (2) and (4). *It is clear that the balance of total grant impact is very weakly biased (52%) in the anti-equalization direction, and that only the special allocation achieved a slight net balance (53%) toward equalization.* It is admitted that these comparisons do not account for the real intensity associated with this impact pattern, nor do they include a consideration of service need in relation to equalization, but they do suggest a rough measure of the direction of total grants from an income standpoint.

(vii) *Rule 6 and Exceptions*

The sixth rule is that the level of regular grants tends to vary inversely with the level of social assistance payments per capita in municipalities. Coefficients of correlation presented earlier indicated that the revenue and road grants were associated with social assistance at the −0.30 level, but that total grants correlated with these payments at only −0.15. We should thus expect to find many exceptions to the rule even when the comparison is confined to regular grants. These exceptions are as follows (averag regular grant is $12.23 and average social assistance payments per capita i $61.00 for the sample):

Exceptions to Rule 6

Above-Average Grant - Above-Average S.A.

1. Mount Carmel, etc. ($13.29-$97.00)
2. Arnold's Cove ($15.98-$63.00)
3. Glenwood ($19.94-$118.00)
4. Robert's Arm ($16.31-$70.00)
5. Freshwater ($13.33-$70.00)
6. Stephenville Crossing ($14.92-$132.00)
7. St. Lawrence ($15.46-$73.00)
8. Harbour Breton ($16.82-$77.00)
9. Harbour Grace ($20.06-$66.00)

Below-Average Grant - Below-Average S.A.

1. Little Bay ($5.82-$38.00)
2. Fermeuse ($10.55-$31.00)
3. Gaultois ($3.37-$44.00)
4. Hant's Harbour ($11.58-$52.00)
5. Belleoram ($9.68-$20.00)
6. Lushes Bight ($8.09-$27.00)
7. Heart's Content ($11.02-$58.00)
8. King's Point ($7.59-$56.00)
9. St. Lunaire, etc. ($5.39-$36.00)
10. Norman's Cove, etc. ($6.24-$37.00)
11. Triton, etc. ($7.88-$25.00)
12. Isle aux Morts ($6.91-$56.00)
13. Musgrave Harbour ($7.13-$38.00)
14. Milltown, etc. ($7.45 - $29.00)
15. Whitbourne ($8.76-$43.00)
16. Holyrood ($12.18-$25.00)
17. Kippens ($5.60-$55.00)
18. Pouch Cove ($7.12-$40.00)
19. Cape St. George ($2.52-$56.00)
20. Halfway Point, etc. ($2.35-$7.00)
21. Dark Cove-Gambo ($9.82-$34.00)
22. Bay Roberts ($10.81-$25.00)
23. Wabana ($6.88-$48.00)
24. Labrador City ($11.49-$4.00)
25. Gander ($12.00-$10.00)
26. Grand Falls ($12.19-$12.00)

These 35 exceptions, which incidentally are ranked by population, are about equally distributed among the various size groups and consist of both developed and undeveloped municipalities. They constitute 32 per cent of the sample.

(viii) *Rule 7 and Exceptions*

A seventh rule is that grant levels will tend to be higher when communities exercise greater local tax effort. Coefficients of correlation presented earlier suggested the following associations in this sector: revenue plus road grant (0.24), water and sewerage subsidies (0.40), special contributions (0.19) and total grants (0.27). The pattern of exceptions to this generalization is as follows, when the effect of all grants on the 70 municipalities is considered (average local tax effort is 35/70; average total grant per capita is $25.49):

Exceptions to Rule 7

Above-Average Tax Effort - Below-Average Grants

1. South Brook (2/70-$15.39)
2. Grand Falls (4/70-$13.74)
3. Springdale (9/70-$24.54)
4. Gander (10/70-$13.28)
5. Wabush (11/70-$24.75)
6. Belleoram (14/70-$14.96)

Below-Average Tax Effort - Above-Average Grants

1. Burin (38/70-$27.45)
2. Pasadena (53/70-$49.18)
3. Cupids (58/70-$37.93)
4. Clarke's Beach (66/70-$33.56)
5. Brigus (69/70-$39.00)

7. Grand Bank (18/70-$19.34)
8. Carbonear (19/70-$18.27)
9. Labrador City (28/70-$11.49)
0. Stephenville (29/70-$19.30)
1. Stephenville Crossing (33/70-$14.92)
2. La Scie (35/70-$15.23)

t is clear that fewer exceptions to this rule emerge when deviant cases are dentified with reference to the sample averages. The sub-sample used, owever, consists of only the 70 largest incorporated municipalities. Given ur information on grant patterns, and assuming that many of the communties not surveyed have low average incomes, the exceptions to this rule vould undoubtedly be proportionately greater if a broader survey had been ossible. Nevertheless, even the 17 units listed above constitute nearly one-uarter of the entire sub-sample.

. Deviation Patterns Related to the Size of Municipalities (7 Generalizations)

All of the deviation patterns isolated in previous paragraphs were subected to further analysis in an effort to discover what structure, if any, they ossessed. Primary attention was directed to their population characterisics and to the level of regular grants which their communities received in 1971. Of the 111 local budgets examined, 92 (83%) demonstrated at least one deviation from the seven specified rules. Among the units in the sample above 1,000 in population (63), only three failed to record a single exception: i.e., Mount Pearl, Clarenville and Upper Island Cove. Among the 48 smaller units, those not recording exceptions consisted of only 16 communities, ranging in size from Portugal Cove South (371) to Lourdes (959). Their combined population was 10,486; their average population was 655.

First, we identify the municipalities whose budgets were *most atypical* in relation to the seven norms. They are listed below in order of their size and of the number of exceptions recorded, and are found below in Table B-15:

Table B-15: 24 Exceptional Municipal Budgets Related to Population, Regular Grants, Income Level and Water Service Level, 1971

	(1) Population	(2) Regular Grant Level	(3) Income Level	(4) Water Service Level
(a) 6 Exceptions		$	$	%
1. Stephenville Crossing	2,129	+ 2.69 (37)	− 292	53
(b) 5 Exceptions				
1. Winterton	794	+ 10.99 (9)	− 347	85
2. Pasadena	964	+ 1.58 (37)	+ 433	0
3. Robert's Arm	1,044	+ 4.08 (23)	− 1,158	100
4. La Scie	1,255	+ 3.00 (32)	− 387	100
5. Halfway Point, etc.	2,027	− 9.97 (111)	-	0
6. Bay Roberts	3,702	− 4.31 (60)	+ 35	0
(c) 4 Exceptions				
1. Port Union	578	+ 0.11 (48)	− 111	30
2. Cupids	691	+ 1.04 (41)	+ 186	0
3. South Brook	802	+ 0.79 (42)	− 1,214	100

	(1) Population	(2) Regular Grant Level $	(3) Income Level $	(4) Water Servic Level %
4. Clarke's Beach	877	− 6.97 (57)	+ 81	0
5. Arnold's Cove	919	+ 3.75 (26)	− 426	96
6. Glenwood	979	+ 7.11 (15)	− 11	90
7. Wesleyville	1,142	+ 5.49 (20)	− 589	85
8. Badger	1,187	+ 11.20 (7)	− 56	95
9. Trepassey	1,443	+ 0.25 (46)	− 81	84
10. Badger's Quay, etc.	1,457	+ 7.58 (13)	-	90
11. Freshwater	1,562	+ 1.10 (39)	− 377	100
12. Dunville	1,742	+ 3.22 (29)	− 81	100
13. St. George's	2,082	− 4.04 (76)	− 293	0
14. Dark Cove-Gambo	2,586	− 2.41 (63)	-	51
15. Labrador City	7,622	− 0.71 (55)	+ 2,795	100
16. Gander	7,748	− 0.23 (53)	+ 1,057	100
17. Grand Falls	7,677	− 0.04 (50)	+ 2,211	100

The most exceptional budgets are obviously not confined to any narrow range of population size, including as they do both small and large units from Port Union to Gander. Some two-thirds of the municipalities are below the sample's population average, yet they constitute no greater a proportion of all below-average sized municipalities than do the remaining one-third of all the larger sized units. In order to indicate the regular grant level for each community we have listed the per capita deviation of the municipality's regular grant from the sample average figure of $12.23. The bracketed number beside each deviation indicator is the community's rank order number of grant intensity. These numbers range from 1 (highest) to 111 (lowest) for all units surveyed. The average of these latter rank numbers is 40, which indicates that these exceptional municipalities received above average regular grants in 1971. (The number separating the above- from the below-average grant communities in the sample is 50.) Yet it is clear that the list above includes Halfway Point (111), St. George's (76) and Bay Roberts (60). The first of these municipalities received the lowest grant among all units surveyed. We have also measured the income per capita deviation for these 24 municipalities. Included on the list are Robert's Arm and South Brook which had the lowest income among the units in the sample. Also listed, however, are Labrador City and Grand Falls with the highest reported income levels. It is evident too that no fewer than seven units have negative or positive income deviations so small that they can be described as average municipalities in this respect. We thus conclude that the exceptional municipalities are normally distributed across the income spectrum. One-third of them have complete water systems in place and an equal proportion have attained high water service levels. *While they are not characterized by a strong population or income bias, these municipalities do receive above-average regular grants and they clearly have above-average water service levels.*

Moving from the most exceptional cases to the general pattern of deviation among all municipalities, we have discovered the following relationship with the size of local authorities as indicated in Table B-16:

Table B-16: Exceptional Budgets and Population Size, 1971

Population Size Group	Number of Municipalities	Number of Exceptions	% Municipalities	% Exceptions	% Difference
. (lowest)	48	70	43	32	− 11
2.	30	71	27	32	+ 5
3.	14	35	13	16	+ 3
4.	5	12	4	5	+ 1
5.	6	12	5	5	0
6.	2	5	2	2	0
7.	1	1	1	-	+ 1
8. (highest)	5	15	5	8	+ 3

The ratio differences found in the last right-hand column suggest that budgetary exceptions are more likely to occur with much greater frequency in municipalities between 1,000-3,000 and also among the largest units above 7,000. The incidence of exceptions is relatively much lower among the units below 1,000. *Generally speaking, therefore, our seven rules will be found to describe fiscal behaviour more typically prevailing among the smaller municipalities in Newfoundland, while for the middle- and larger-sized units they will be less reliable.*

The relationship between population size and the frequency of particular deviations is summarized in the accompanying ratio Table B-17. This table provides two separate frequency measures. The unbracketed numbers indicate the percentage of exceptions in relation to the number of municipalities contained in each population size group. The bracketed numbers, on the other hand, indicate the percentage of exceptions found in each size category.

By examining the unbracketed ratios for each size group, the following conclusions can be reached:

(1) *The most typical municipal budgets when judged in relation to our seven rules are found in one-third of units under 1,000 that experienced no exceptions.* (This proposition, however, as indicated at the bottom of our next paragraph, is subject to some technical uncertainty in respect of the three primary rules that involve income measurements.)

(2) Among the 48 smallest municipalities of under 1,000, the incidence of exceptions is highest in respect of Rules 1 (25%), Rule 5-2(25%) and Rule 6 (27%). In roughly one-quarter of these municipalities, therefore, (1) the regular grants received will not be proportional with municipal population, (2) lower special grants will tend to be associated with lower community income per capita and, (3) lower regular grants will be allocated to units with below-average social assistance payments. *The fact that these exceptions are confined to a relatively low level (25-27%) implies a strong regularity with our seven rules so far as nearly 75 per cent of the smaller municipalities is concerned.* Readers will note the very low exception ratios in respect of Rules 3, 5-1 and 7. (It should perhaps be indicated, however, that since three of our primary rules involved income measures which were confined to a sub-sample of only 70 units (i.e., Rules 5-1, 5-2 and 7), it seems probable that the inclusion of the over 40 very small municipalities where income levels are low, would alter the ratios. Rule 5-2, for instance, specifies that special grants should vary inversely with income. There is ample evidence

Table B-17: Occurrences of Budgetary Exceptions as a Proportion of the Number of Municipalities (and as distributed by Size Groups), by Population of Municipalities: 1971 Budgets

Population Size Group	No Exceptions (N-19)	Exceptions Rule 1 (N-33)	Exceptions Rule 2 (N-33)	Exceptions Rule 3 (N-16)	Exceptions Rule 4 (N-25)	Exceptions Rule 5-1 (N-29)	Exceptions Rule 5-2 (N-32)	Exceptions Rule 6 (N-36)	Exceptions Rule 7 (N-17)
	%	% %	% %	% %	% %	% %	% %	% %	% %
1. 1,000 and under (N-48)	33	25 (36)	19 (27)	10 (31)	15 (28)	13 (21)	25 (38)	27 (36)	13 (35)
2. 1,000 - 1,999 (N-30)	3	37 (33)	30 (27)	20 (38)	30 (36)	37 (38)	43 (41)	37 (31)	3 (6)
3. 2,000 - 2,999 (N-14)	7	21 (9)	57 (24)	21 (19)	36 (20)	29 (14)	21 (9)	50 (19)	14 (12)
4. 3,000 - 3,999 (N-5)	0	20 (3)	100 (15)	20 (6)	0 (0)	20 (3)	0 (0)	20 (3)	60 (18)
5. 4,000 - 4,999 (N-6)	0	17 (3)	33 (6)	0 (0)	50 (12)	33 (7)	50 (9)	0 (0)	17 (6)
6. 5,000 - 5,999 (N-2)	0	50 (3)	0 (0)	50 (6)	50 (4)	0 (0)	50 (3)	50 (3)	0 (0)
7. 6,000 - 6,999 (N-1)	0	0 (0)	0 (0)	0 (0)	0 (0)	100 (3)	0 (0)	0 (0)	0 (0)
8. 7,000 and above (N-5)	20	80 (12)	0 (0)	0 (0)	0 (0)	80 (14)	0 (0)	60 (8)	80 (24)
Total (N-111)	17	30 (100)	30 (100)	14 (100)	22 (100)	26 (100)	29 (100)	32 (100)	15 (100)

Note: Bracketed ratio columns will not always add correctly, due to rounding.

that special grants were not directed with any intensity toward the smallest municipalities as a group. Reference to Table B-1, above, will indeed show them to be below-average in 1971. Hence, it is likely that the real incidence of deviation in this respect would be much higher than 25 per cent as suggested in our table. This technical problem is less pronounced in the larger size categories.)

(3) When we move to the next size group of 30 units between 1,000-2,999, however, a dramatic reversal is noticed. In the first place, the incidence of total exceptions recorded for this group is the highest in the entire sample. Our seven rules will accordingly tend to be least characteristic for the budgetary behaviour of these municipalities. It is evident that the greatest incidence of deviation from the norms occurs in respect of Rule 1(37%), Rule 5-1 (37%), Rule 5-2 (43%) and Rule 6(37%). In rather more than one-third of these units, the following patterns will be regularly found:

(a) lower than average regular grants are allocated to municipalities with smaller populations;

(b) higher levels of these grants will be associated with lower community income per capita;

(c) lower special grants will correlate with lower income;

(d) the level of regular grants will not vary inversely with social assistance payments.

In this population group as well there are significant deviation rates from Rules 2 and 4. For that reason, many small communities will receive larger special grants and many larger municipalities will report above-average fiscal dependency ratios. On the other hand, since there is no significant deviation ratio from Rule 7, regular grant levels will tend to move in sympathy with local tax effort. *It is a reasonable inference that some of the most atypical municipal fiscal patterns in Newfoundland are found among the municipalities in this group: e.g., Robert's Arm, Wesleyville, Badger, La Scie, Freshwater and Dunville. But many typical budget patterns were found for units like Catalina, Isle aux Morts, Milltown, Roddickton, Kippens, Twillingate, Pouch Cove and Cape St. George.* Some of these local authorities, however, cannot be described as highly-developed municipalities.

(4) The third population group of 14 municipalities between 2,000-2,999 also contains a high incidence of deviant budgets. These deviation ratios are highest in respect of Rule 2 (57%), Rule 4 (36%) and Rule 6 (50%). These rates suggest that the following occurrences are prevalent among units in this size group:

(a) many medium-range municipalities receive below-average special grants;

(b) many medium-sized communities have above-average fiscal dependency ratios;

(c) the pattern of regular grants does not tend to have the normal inverse relationship with social assistance payments.

In most other respects, however, these municipalities do not encounter major deviation ratio levels, with the exception of that relating to Rule 5-1

Table B-19: Occurrences of Budgetary Exception as a Proportion of the Number of Municipalities (and as Distributed by Regular Grant Deviation Groups), by the Size of Grant Allocated to Municipalities: 1971 Budgets

Grant Deviation Group	No Exceptions (N-19) %	Exceptions Rule 1 (N-33) % %	Exceptions Rule 2 (N-33) % %	Exceptions Rule 3 (N-16) % %	Exceptions Rule 4 (N-25) % %	Exceptions Rule 5-1 (N-29) % %	Exceptions Rule 5-2 (N-32) % %	Exceptions Rule 6 (N-36) % %	Exceptions Rule 7 (N-17) % %
1. $10.00 above mean (or more) (N-9)	0	44 (12)	78 (21)	44 (25)	11 (4)	22 (7)	11 (3)	11 (3)	22 (12)
2. $9.99-$7.50 above mean (N-4)	25	25 (3)	50 (6)	25 (6)	25 (4)	0 (0)	25 (3)	25 (3)	0 (0)
3 $7.49-$5.00 above mean (N-7)	0	43 (9)	86 (18)	29 (12)	14 (4)	29 (7)	14 (3)	29 (6)	29 (12)
4. $4.99-$2.50 above mean (N-14)	0	36 (15)	21 (9)	29 (25)	43 (24)	79 (38)	36 (16)	36 (14)	14 (12)
5. $2.49-$0.00 above mean (N-16)	6	63 (33)	25 (12)	6 (6)	31 (20)	44 (24)	31 (16)	19 (8)	31 (29)
6. $0.00-$2.49 below mean (N-15)	7	33 (15)	40 (18)	7 (6)	20 (12)	40 (21)	33 (16)	47 (19)	33 (29)
7. $2.50-$4.99 below mean (N-8)	25	13 (3)	0 (0)	0 (0)	25 (8)	13 (3)	63 (16)	25 (6)	13 (6)
8. $5.00-$7.49 below mean (N-16)	43	13 (6)	13 (6)	7 (6)	7 (4)	0 (0)	38 (19)	19 (8)	0 (0)
9. $7.50-$9.99 below mean (N-16)	25	6 (3)	13 (6)	19 (6)	25 (16)	0 (0)	13 (6)	56 (25)	0 (0)
10. $10.00 below mean (or more) (N-6)	50	17 (3)	17 (3)	50 (6)	67 (4)	0 (0)	17 (2)	50 (8)	0 (0)
Total (N-111)	17	30 (100)	30 (100)	14 (100)	22 (100)	26 (100)	29 (100)	32 (100)	15 (100)

Note: Bracketed ratio columns will not always add correctly, due to rounding.

When the unbracketed ratios for each grant deviation group are examined, the following conclusions may be reached:

(1) As we should expect, the local governments receiving the lowest relative grants tend to be the least deviant, in the sense of having the highest proportion of units whose fiscal characteristics are free of any exceptions from our seven rules. But the technical difficulty noted above in relation to Rules 5-1, 5-2 and 7, where the community income sub-sample of only 70 units was used, should be kept in mind. *Among the six municipalities in the lowest group (i.e., Halfway Point, etc., Rose Blanche, Cape St. George, Gaultois, Nain and Lourdes) there are large deviation ratios for Rule 3 (50%), Rule 4 (67%) and Rule 6 (50%).* The inferences to be drawn are as follows:

- (a) the size of local revenues collected by these municipalities was quite strongly related to their populations in an inverse manner;
- (b) their level of dependency upon grants had a direct relationship with their population levels; and
- (c) their regular grants are also directly related to levels of social assistance payments.

(2) Moving to the next lowest grant level ($7.50-$9.99 below the sample average), we discover generally low deviation ratios except for Rule 6 (56%) and, to a lesser degree, Rule 4 (25%). The 16 municipalities resemble those in the lowest size group at least along these two dimensions.

(3) The next below-average group of 16 municipalities has a high proportion that are atypical in relation to Rule 5-2 (38%), which suggests that the relationship between community income and special grants is positive rather than negative, and that low income is accompanied by below-average special grants.

(4) Among the eight units in the seventh group ($2.50-$4.99) the same phenomenon is apparent at more than twice the previous level, but somewhat higher ratios are found in respect of Rules 4 and 6 as well.

(5) *Then, for those local authorities whose regular grants were only slightly below the base level, a major change becomes evident. For this category, the incidence of fiscal deviation with respect to all the rules increases noticeably, in contrast to that which holds for lower categories. Although this group has only 15 municipalities as compared with 46 in all lower categories, its members experienced 38 deviations as compared with 54 for the previous group.* The frequency of these anomalies is highest in the case of Rule 2 (40%), Rule 5-1 (40%) and Rule 6 (47%). This pattern suggests the following conditions:

- (a) When local authorities reach this level in their regular grant allocations, there emerges some tendency for special grants to take on an inverse association with population; and
- (b) Regular grants assume (1) an inverse relation with community income and (2) a more strongly direct relation with social assistance payments.

It is also clear that at this particular level, significant exceptions begin to appear in the case of Rules 1 (35%) and 7 (33%) which were not characteristically encountered among municipal units with lower regular grants. This observation implies that (1) regular grants have some tendency to become inversely related to population and local revenue collections, and (2) that a similar pattern emerges as between total grants and local tax effort. Some of the most atypical *units at this grant level include Dark Cove-Gambo, Lamaline, Clarke's Beach, Bay Roberts, Gander and Stephenville. Some of the least irregular municipalities are Elliston, Heart's Content, Renews and Fermeuse.*

(6) There is some increase in the overall incidence of deviation from the seven criteria when we move to the first group with slightly higher than average grants. Particularly noticeable here are the exceptions to Rule 1 (63%) and Rule 5 (44%). *The first ratio indicates that only at this level of regular grants do they begin to have an inverse relation with population and local revenue yields.* (But it is clear that this pattern continues up through all the higher grant categories as well.) The second ratio suggests that regular grants and income become less closely associated with income in a direct manner. But one-third of the municipalities achieving this level of grants have atypical budgetary conditions with respect to Rules 4, 5-2 and 7 as well. *Of the 16 municipalities found in this group, the most atypical are Pasadena, Freshwater, Cupids, South Brook, Port Union, Trepassey and Grand Falls. The most typical budgetary conditions, on the other hand, are found in Mount Pearl, Burin, Placentia, Windsor, Mount Carmel and South River.*

(7) Among municipalities with regular grants above the +$2.49 level, the incidence of exceptions steadily increases. In the fourth group, which includes 14 municipalities in the +$4.99-$2.50 range, these anomalies reach their peak of 79 per cent in the case of Rule 5-1. *This deviation level indicates that regular grants have become strongly associated in an inverse manner with community income.* In the next highest group ($7.49-$5.00), it is seen that six of the seven municipalities are atypical in respect of Rule 2. A similar condition holds for the two highest groups as well. *These ratios imply that when regular grants achieve their highest levels, the tendency for special grant allocations to be tied inversely with population is at its strongest.* As one moves into the higher grant categories, one encounters with greater frequency the atypical units located earlier. That an increasing number of deviant cases appear at these levels is equally quite apparent. We list below, together with their regular grant intensity index numbers, the units receiving the highest grants that also happen to be most atypical in relation to our seven criteria: *Badger (7), Winterton (9), Badger's Quay, etc. (13), Glenwood (15), Wesleyville (20), Robert's Arm (23), Dunville (29), La Scie (32) and Stephenville Crossing (33). But included as well among the recipients of the highest grants were a number of the least-deviant local governments in the Province: Lewisporte (2), Baie Verte (3), Clarenville (11), Fortune (12), Cormack (22) and Twillingate (27). Instances of moderate fiscal deviation among these categories include the district and towns of Buchans (1), Wabush (4), Springdale (5), Newtown (6), St. Anthony (8), Deer Lake (10), Harbour Grace (12), Carbonear (16), Grand Bank (17), Happy Valley (18), Jerseyside (19) and Harbour Breton (21).*

Lastly, a brief comment is needed on grants in relation to municipal service levels. We summarize first the results of the earlier regression analysis for the entire sample, including the two cities, as they bear upon this question:

	Water Service Level	**Sewerage Service Level**	**Road Pavement Ratio**
Revenue Grant	0.33	0.41	0.32
Road Grant	−0.18	−0.18	−0.21
Revenue Plus Road Grant	0.26	0.34	0.25
Water-Sewerage Subsidy	0.43	0.35	0.20
Special Grant	0.30	0.31	0.23
Total Grant	0.38	0.39	0.28

As was expected, the strongest relationship is found between the revenue grant, the water and sewerage subsidies and water and sewerage service levels. None of the associations, however, is really strong. The relationship between the road grant and road pavement ratios is negative but weak. Total grants are more strongly associated with water and sewerage levels than with the road pavement ratio. In an effort to obtain more concrete information on these matters, the Commission has examined some 70 larger communities, with complete or partial water or water and sewerage services in place, and 21 without these services. *In the 16 towns with full water services, all but Grand Falls, Gander and Labrador City had above average regular grants. Fully ten of these units received special grants below the sub-sample average. (In addition to the larger towns these exceptions include Lewisporte, Fortune, South Brook, La Scie and Baie Verte.) Among the 19 municipalities with water systems servicing 75-100 per cent of their houses, only three (Stephenville, Lawn and Whitbourne) received below-average regular grants. Among the nine municipalities with 50-75 per cent of their houses serviced, only two (Wabana and Holyrood) received below-average regular grants. Of the five units with less than 50 per cent of their houses serviced, three (Roddickton, Musgrave Harbour and Catalina) had below-average regular grants. Of the 21 units without water services in 1971, only three (Pasadena, Cupids and South River) received above-average regular grants.* If in a general sense the pattern is somewhat mixed, however, there appears to be no doubt that fiscal deviation patterns are closely associated with the achieving of high service levels.

Appendix A

Economic Base Indicators, Newfoundland and Canada, 1962-1974

Table A-1

Economic Base Indicators: Population, Gross Product, Private and Public Investment and Personal Income with Annual Rates of Change, Canada and Newfoundland, 1962-1974

Year	Population		Annual Rate of Population Change		Gross National Expenditure and Gross Provincial Product (In Constant 1961 Dollars)		Annual Rates of Change		Public and Private Investment		Annual Rates of Change		Personal Income		Annual Rates of Change	
	Canada (Thousands)	Nfld.	Canada %	Nfld. %	Canada (Bill. $)	Nfld. (Mill. $)	Canada %	Nfld. %	Canada (Bill. $)	Nfld. (Mill. $)	Canada %	Nfld. %	Canada (Bill. $)	Nfld. (Mill. $)	Canada %	Nfld. %
1962	18,583	470	1.9	2.6	42.3	545	6.8	7.3	11.9	261	6.3	41.8	32.8	462	8.9	5.0
1963	18,931	481	1.9	2.3	44.5	592	5.2	8.6	12.7	236	6.7	− 9.6	34.8	493	6.2	6.7
1964	19,290	491	1.9	2.1	47.5	640	6.7	8.1	14.6	231	15.0	− 2.1	37.3	531	7.0	7.7
1965	19,644	488	1.8	−0.7	50.7	688	6.7	7.5	16.8	228	15.1	− 1.3	41.1	604	10.2	13.7
1966	20,015	493	2.2	1.0	54.2	729	6.9	6.0	19.5	341	16.1	49.6	46.1	680	12.2	12.6
1967	20,378	500	1.5	1.4	56.0	738	3.3	1.2	20.0	359	2.6	5.2	50.6	755	9.7	11.0
1968	20,701	507	1.6	1.4	59.3	(764)	5.8	(3.5)	20.5	387	2.5	7.8	55.7	837	10.1	10.9
1969	21,001	514	1.4	1.4	62.4	832	5.2	8.9	22.2	395	8.3	2.1	61.8	924	11.0	10.4
1970	21,297	518	1.4	0.8	63.9	938	2.5	12.7	23.5	642	5.9	62.5	66.5	1,032	7.6	11.7
1971	21,569	522	1.3	0.8	67.4	996	5.5	6.2	26.2	807	11.5	25.7	73.4	1,142	10.4	10.7
1972	21,830	532	1.2	1.9	71.2	1,053	5.5	5.7	28.1	727	7.3	−10.0	81.9	1,310	11.4	14.7
1973	22,095	541	1.2	1.7	(76.0)	(1,154)		(9.6)		(730)		(0.4)	(92.3)	1,493	(12.7)	14.0
1974		(550)		(1.7)		(1,238)		(7.3)						(1,680)		(12.5)

Sources: Statistics Canada, *National Income and Expenditure Accounts; Private and Public Investment in Canada;* Exhibits attached to Newfoundland Annual Budgets, 1972, 1973 and 1974.

Table A-2

Components of Personal Income, Labour Participation Rates and Unemployment Rates, Canada and N[illegible]dland, 1962-1973

Year	Wages, Salaries & Supp. Labour Income				Farm & Non-Farm Unincorporated Business Earnings				Interest, Dividends & Net Rental Income of Persons				Government Transfer Payments to Persons				Labour Participation Rate		Annual Average Unemployment Rate			
	Amount Nfld.	% of Can.	Ann. Can.	Rates Nfld.	Amount Nfld.	% of Can.	Ann. Can.	Rates Nfld.	Amount Nfld.	% of Can.	Ann. Can.	Rates Nfld.	Amount Nfld.	% of Can.	Ann. Can.	Rates Nfld.	Can.	Nfld.	Can.	Ont.	Atl. Reg.	Nfld.
	(Mill. $)	%	%	%	(Mill. $)	%	%	%	(Mill. $)	%	%	%	(Mill. $)	%	%	%	%	%	%	%	%	%
1962	297	1.47	6.3	3.8	48	1.23	19.6	11.6	26	0.79	9.1	4.0	82	2.20	8.3	5.1	53.9	n/a	5.9	4.3	10.7	n/a
1963	326	1.51	6.4	9.8	49	1.18	6.2	2.1	28	0.77	9.4	7.7	86	2.23	3.3	4.9	53.8	n/a	5.5	3.8	9.5	n/a
1964	356	1.52	8.8	9.2	52	1.28	−1.5	6.1	30	0.79	5.1	7.1	92	2.23	7.4	7.0	54.1	n/a	4.7	3.2	7.8	n/a
1965	409	1.56	12.0	14.9	54	1.18	12.1	3.8	30	0.72	8.9	0	99	2.16	10.7	7.6	54.4	n/a	3.9	2.5	7.4	n/a
1966	470	1.58	13.4	14.9	55	1.10	9.4	1.9	32	0.71	9.6	6.7	117	2.32	10.3	18.2	55.1	n/a	3.6	2.5	6.4	n/a
1967	490	1.51	9.1	4.3	58	1.16	−0.1	5.5	35	0.72	7.9	9.4	151	2.43	31.2	29.1	55.5	44.3	4.1	3.1	6.6	8.1
1968	(550)	(1.45)	(17.3)	(12.2)	(64)	(1.14)	(12.5)	(10.3)	(40)	(0.87)	(−6.0)	(14.3)	(185)	(3.08)	(−3.6)	(22.5)	55.5	43.6	4.8	3.5	7.3	9.7
1969	610	1.41	13.3	10.9	71	1.07	18.1	10.9	33	0.68	5.4	−17.5	194	3.15	2.7	4.9	55.8	43.2	4.7	3.1	7.5	10.3
1970	678	1.45	8.4	11.1	76	1.18	−2.7	7.0	36	0.67	10.5	9.1	224	3.21	13.1	15.5	55.8	42.9	5.9	4.3	7.6	10.8
1971	747	1.46	9.9	10.2	77	1.09	9.6	1.3	36	0.64	4.1	0	266	3.22	18.4	18.6	56.1	44.9	6.4	5.2	8.6	11.4
1972	828	1.46	10.7	10.8	80	1.04	9.5	3.9	39	0.63	10.8	8.3	346	3.51	19.3	30.1	56.5	45.7	6.3	4.8	9.0	12.1
1973																	57.5	46.5	5.6	4.0		12.8

Sources: for the Components of Personal Income:
Statistics Canada, *National Accounts Income and Expenditure* to 1967; in subsequent years, other than 1968, the estimates were supplied by communication with Statistics Canada. Labour force information from Statistics Canada — *The Labour Force*.

Table A-3

Per Capita Ratios: Gross Product, Investment, Personal Income, Transfer Payments, Canada and Newfoundland, 1962-1974

Year	Gross Product Per Capita (Current Prices) (1)		Public and Private Investment Per Capita (2)		Personal Income Per Capita (3)		Transfer Payments Per Capita (4)		Nfld. as a Percentage of Canada				Transfer Payments as Percentage of Personal Income	
	Canada	Nfld.	Canada	Nfld.	Canada	Nfld.	Canada	Nfld.	(1)	(2)	(3)	(4)	Canada	Nfld.
	$	$	$	$	$	$	$	$	%	%	%	%	%	%
1962	2,309	1,177	640	555	1,764	987	201	174	50.7	86.7	56.0	86.6	11.4	17.6
1963	2,430	1,270	671	491	1,840	1,036	204	179	52.3	73.2	56.3	87.7	10.9	17.3
1964	2,608	1,379	757	470	1,933	1,099	214	187	52.9	62.1	56.9	87.4	10.7	17.0
1965	2,820	1,539	855	467	2,091	1,238	233	203	54.6	54.6	59.2	87.1	11.1	16.4
1966	3,088	1,688	974	692	2,303	1,379	252	237	54.7	71.0	59.9	94.0	10.9	17.2
1967	3,258	1,750	981	718	2,482	1,513	305	302	53.7	73.2	61.0	99.0	12.3	20.0
1968	3,507	(1,844)	990	763	2,690	1,654	290	365	(52.6)	77.0	61.5	125.9	10.8	22.1
1969	3,795	2,070	1,057	768	2,943	1,796	293	377	54.5	72.7	61.0	128.7	10.0	21.0
1970	4,010	2,421	1,103	1,239	3,131	1,986	328	432	60.4	112.3	63.4	131.7	10.5	21.8
1971	4,316	2,640	1,215	1,545	3,403	2,188	383	510	61.2	127.2	64.3	133.2	11.3	23.3
1972	4,714	2,863	1,287	1,366	3,570	2,462	452	650	60.7	106.1	65.7	143.8	12.1	26.4
1973		3,203		(1,349)	(4,177)	(2,760)					(66.1)			
1974		3,545				(3,071)								

Sources: Calculated from Tables A-1 and A-2

Table A-4

Selected Price Index Numbers, Canada and Newfoundland, 1962-1973 (1961 = 100.0)

Year	Consumer Price Index		Purchasing Power of Consumer Dollar	Average Weekly Wages in Mfg.	Implicit Gross Business Capital Formation	Highway Construction (All Items)	Non-Residential Construction Canada		Implicit Annual Price Index Govt. Exp. Operations Canada		Gross Nat. Expenditure Implicit Price Index
	Canada	St. John's Nfld.	Canada $	Canada	Canada	Nfld.	Materials	Labour	Current	Capital	
1962	101.2	100.8	0.99	101.9	103.3	109.1	n/a	n/a	102.4	101.5	101.4
1963	103.0	102.8	0.97	103.7	106.1	101.1	n/a	n/a	106.6	105.1	103.2
1964	104.8	103.9	0.95	106.3	110.4	108.4	n/a	n/a	110.3	108.4	105.8
1965	107.4	105.5	0.93	108.8	114.7	119.5	111.5	118.6	115.3	115.4	109.2
1966	111.4	108.0	0.90	110.5	118.5	126.6	115.4	128.1	123.1	122.0	114.1
1967	115.4	110.9	0.87	112.8	117.7	115.2	117.8	140.8	131.5	123.3	118.6
1968	120.1	115.9	0.83	116.2	117.6	120.8	120.7	152.8	139.0	123.5	122.4
1969	125.5	119.3	0.80	119.6	120.7	116.5	126.1	164.5	151.2	129.7	127.9
1970	129.7	121.6	0.77	123.9	126.4	145.5	129.5	188.7	160.5	134.6	133.6
1971	133.4	123.5	0.75	131.0 p	129.8	176.2	134.1	213.1	170.7	139.8	138.0
1972	139.0	129.7	0.72	135.9 p	133.1	161.7	142.3	233.0	181.9	146.3	144.7
1973	150.4	140.4	0.66								

Source: Statistics Canada, *Prices and Price Indexes* (December, 1973; February, 1974)

Table A-5

General Fiscal Indicators: Canada and Newfoundland, 1962-1974

Year	Canada Total Government Revenue (Gross)			Canada Federal Government Revenue			Canada Provincial Government Revenue			Canada Municipal Government Revenue			Newfoundland Provincial-Municipal Combined Net Revenue		
	Amount (Bill. $)	Change %	Per Capita $	Amount (Bill. $)	Change %	Per Capita $	Amount (Bill. $)	Change %	Per Capita $	Amount (Bill. $)	Change %	Per Capita $	Amount (Mill. $)	Change %	Per Capita $
1962	12.5	9.6	673	7.0	2.9	376	4.4	18.9	236	3.2	10.3	172	115.7	40.4	246
1963	13.3	6.4	703	7.3	4.3	386	4.8	9.1	254	3.5	9.4	185	126.0	8.9	262
1964	15.0	12.8	778	8.4	15.1	435	5.4	12.5	280	3.7	5.7	192	184.4	46.3	376
1965	16.8	12.0	856	9.1	8.3	464	6.3	16.7	321	4.2	13.5	214	174.1	−5.6	357
1966	19.5	16.1	974	10.0	9.9	500	7.4	17.5	370	4.8	14.3	240	188.9	8.5	383
1967	22.0	12.8	1,060	10.9	9.0	534	8.7	17.6	426	5.4	12.5	265	244.3	29.3	489
1968	24.9	13.2	1,203	12.2	11.9	589	10.3	18.4	498	6.0	11.1	290	281.1	15.1	554
1969	29.1	16.9	1,386	14.5	18.9	690	12.0	16.5	571	6.7	11.7	319	319.1	13.5	621
1970	31.7	8.9	1,488	15.5	6.9	728	13.8	15.0	648	7.5	11.9	352	376.1	17.9	726
1971	35.1	10.7	1,627	17.2	11.0	796	15.9	15.2	736	8.3	10.7	384	449.1	19.4	860
1972	39.0	11.1	1,787	19.2	11.6	881	17.3	8.8	794	9.1	9.6	417	461.3	2.7	867
1973	(50.2)	(28.7)	(2,272)	(22.0)	(14.6)	(996)	(19.2)	(11.0)	(869)	(9.9)	(8.8)	(448)	(561.5)	(21.7)	(1,038)
1974													(651.4)	(16.0)	(1,184)

Sources: Statistics Canada, *National Accounts, Income and Expenditure; Provincial Government Finance; Local Government Finance;* and the Newfoundland Budgets, 1973 and 1974.

Appendix B

Combined Provincial-Municipal Public Finance, Newfoundland, 1952 - 1974

Table B-1

Combined Provincial-Municipal Net Revenue, Personal Income, Federal and Provincial Transfer Payments, Newfoundland, 1952-1974

Year	Provincial Gross Revenue (1)	Plus Municipal Gross Revenue (2)	Combined Gross Revenue (3)	Less Provincial Transfers to Municipalities (4)	Combined Net Revenue (5)	Less Federal Transfers to Province (6)	Combined Net Revenue (Own Sources) (7)	Personal Income (8)	(5) as % of (8) (9)	(7) as % of (8) (10)	(6) as % of (5) (11)	(4) as % of (5) (12)
				(thousand $)				(million $)	%	%	%	%
1952	35,611	2,493	38,104	439	37,655	22,358	15,307	229	16.4	6.7	59.4	1.2
1953	36,822	2,853	39,675	529	39,146	21,380	17,766	256	15.3	6.9	54.6	1.4
1954	40,167	3,132	43,299	489	42,810	10,755	32,055	272	15.7	11.8	25.1	1.1
1955	41,370	3,621	44,991	748	44,243	10,352	33,891	292	15.2	11.6	23.4	1.7
1956	45,163	4,633	49,796	885	48,911	9,736	39,175	325	15.0	12.1	19.9	1.8
Average	39,827	3,346	43,173	618	42,555	14,916	27,639	275	15.5	10.1	35.1	1.5
1957	48,159	4,734	52,893	810	52,083	9,360	42,723	350	14.9	12.2	18.0	1.6
1958	79,745	5,778	85,523	1,000	84,523	38,660	45,863	361	23.4	12.7	45.7	1.2
1959	82,621	6,217	88,838	1,235	87,603	37,338	50,265	383	22.9	13.1	42.6	1.4
1960	85,760	6,495	92,255	1,351	90,904	36,181	54,723	412	22.1	13.3	39.8	1.5
1961	90,973	7,301	98,274	1,627	96,647	37,040	59,607	440	22.0	13.5	38.3	1.7
Average	77,452	6,105	83,557	1,205	82,352	31,716	50,636	389	21.2	13.0	38.5	1.5
1962	110,499	7,834	118,333	2,614	115,719	66,212	49,507	462	25.0	10.7	57.2	2.3
1963	119,447	9 120	128,567	2,608	125,959	71,727	54,232	493	25.5	10.0	56.9	2.1
1964	176,702	10,569	187,271	2,890	184,381	87,067	97,314	531	34.7	18.3	47.2	1.6
1965	165,716	11,673	177,389	3,290	174,099	94,796	79,303	604	28.0	13.1	54.4	1.9
1966	178,857	13,435	192,292	3,349	188,943	100,951	87,992	680	27.8	12.9	53.4	1.8
Average	150,244	10.526	160,770	2,950	157,820	84,151	73,669	554	28.5	13.3	53.3	1.9
1967	231,679	17,254	248,933	4,591	244,342	142,893	101,449	755	32.4	13.4	58.5	1.9
1968	262,543	24,396	286,939	5,849	281,090	148,212	132,878	837	33.6	15.9	52.7	2.1
1969	303,756	20,360	324,116	4,971	319,145	175,399	143,746	924	34.5	15.6	55.0	1.6
1970	359,740	21,808	381,548	5,497	376,051	194,291	181,760	1,032	36.4	17.6	51.7	1.5
1971	430,747	28,506	459,253	10,119	449,134	249,754	199,380	1,154	38.9	17.3	55.6	2.3
Average	317,693	22,465	340,158	6,205	333,953	182,110	151,843	940	35.5	16.2	54.5	1.9
1972	435,729	35,045	470,774	9,500	461,274	236,973	224,301	1,310	35.2	17.1	51.4	2.1
1973	553,045	40,575	593,620	12,090	581,530	291,387	270,143	1,493	37.6	18.1	51.9	2.3
1974	619,366	46,750	666,116	14,709	651,407	345,021	306,386	1,680	38.8	18.2	52.9	2.3

Sources: Calculated from information in Statistics Canada, *Provincial Government Finance, Revenue and Expenditures*, 1952 to present; *Local Government Finance, Revenue and Expenditure, Assets and Liabilities (Actual)*, 1952 to present. Projections beyond 1970 are made on the basis of provincial budget estimates and the Commission's sampling of municipal budgets in the years since 1971.

Table B-2

Newfoundland Municipal Revenue, Population and Number of Incorporated Units, 1952-1974

Year	Property Tax		Business Tax		Other Taxes		Total Taxes		Non-Tax Rev.		Total Revenue (Own Sources)		Prov. Trans.	% of Total	Total Dispos-able Revenue	Incorp. Units	Mun. Pop.	Prov. Pop.	
	(Thou.$)	%	(Thou.$)	%	(Thou.$)	%	(Thou.$)	%	(Thou.$)	%	(Thou.$)	%	(Thou.$)	%	(Thou.)		(Thou.)	(Thou.)	%
1952	1,392	67.8	127	6.2	249	12.1	1,768	86.1	286	13.9	2,054	100.0	439	17.6	2,493	37	105	374	28.1
1953	1,258	54.1	423	18.2	261	11.3	1,942	83.6	382	16.4	2,324	100.0	529	18.5	2,853	49	132	383	34.5
1954	1,210	45.4	459	17.4	408	15.8	2,077	78.6	566	21.4	2,643	100.0	489	15.9	3,132	54	141	393	35.9
1955	1,326	46.2	511	17.8	482	16.7	2,319	80.7	554	19.3	2,873	100.0	748	20.7	3,621	62	152	406	37.4
1956	1,498	40.0	587	15.7	565	11.0	2,650	70.7	1,098	29.3	3,748	100.0	885	19.1	4,633	69	164	415	39.5
Aver.	1,337	49.0	421	15.4	393	14.4	2,151	78.8	577	21.2	2,728	100.0	618	18.5	3,346	54	138	394	35.0
1957	1,708	43.5	676	17.2	580	14.8	2,964	75.5	960	24.5	3,924	100.0	810	17.1	4,734	67	173	426	40.6
1958	2,197	46.0	814	17.0	590	12.4	3,601	75.4	1,177	24.6	4,778	100.0	1,000	21.1	5,778	75	181	438	41.3
1959	2,315	46.5	845	17.0	665	13.3	3,825	76.8	1,157	23.2	4,982	100.0	1,235	19.9	6,217	79	192	449	42.8
1960	2,730	53.1	915	17.8	1,021	19.8	4,666	90.7	478	9.3	5,144	100.0	1,351	20.8	6,495	86	201	448	44.9
1961	2,858	50.4	1,001	17.6	876	15.5	4,735	83.5	939	16.5	5,674	100.0	1,627	22.3	7,301	94	212	458	46.3
Aver.	2,362	48.2	851	17.4	746	15.2	3,959	80.8	943	19.2	4,902	100.0	1,207	19.8	6,109	80	190	444	42.8
1962	3,020	57.9	1,137	21.8	913	17.4	5,070	97.1	150	2.9	5,220	100.0	2,614	33.4	7,834	105	230	470	48.9
1963	3,305	50.8	1,252	19.2	1,221	18.7	5,778	88.7	734	11.3	6,512	100.0	2,608	28.6	9,120	112	247	481	51.4
1964	4,094	53.3	1,417	18.5	1,424	18.5	6,935	90.3	744	9.7	7,679	100.0	2,890	27.3	10,569	122	262	491	53.4
1965	4,575	54.6	1,508	18.0	1,297	15.4	7,380	88.0	1,003	12.0	8,383	100.0	3,290	28.2	11,673	132	280	488	57.4
1966	4,864	48.2	1,747	17.3	1,436	14.3	8,047	79.8	2,040	20.2	10,087	100.0	3,349	24.9	13,436	151	297	493	60.2
Aver.	3,972	52.4	1,412	18.6	1,258	16.7	6,642	87.7	934	12.3	7,576	100.0	2,950	28.0	10,526	124	263	485	54.2

Table B-2

Newfoundland Municipal Revenue, Population and Number of Incorporated Units, 1952-1974

Year	Property Tax		Business Tax		Other Taxes		Total Taxes		Non-Tax Rev.		Total Revenue (Own Sources)		Prov. Trans.	% of Total	Total Dispose-able Revenue	Incorp. Units	Mun. Pop.	Prov. Pop.	
	(Thou.$)	%	(Thou.$)	%	(Thou.$)	%	(Thou.$)	%	(Thou.$)	%	(Thou.$)	%	(Thou.$)	%	(Thou.)		(Thou.)	(Thou.)	%
1967	4,732	37.4	2,123	16.8	1,774	13.9	8,629	68.0	4,034	31.9	12,663	100.0	4,591	26.6	17,254	165	315	500	63.0
1968	5,951	32.1	2,384	12.9	2,238	12.0	10,573	57.0	7,947	43.0	18,547	100.0	5,849	24.0	24,396	173	332	507	65.5
1969	6,205	40.3	2,494	16.2	2,197	14.3	10,896	70.8	4,493	29.2	15,389	100.0	4,971	24.4	20,360	184	348	514	67.7
1970	7,267	44.6	2,680	16.4	1,941	11.9	11,888	72.9	4,423	27.1	16,311	100.0	5,497	25.2	21,808	196	367	518	70.8
1971	7,710	41.9	2,845	15.6	2,447	13.2	13,002	70.7	5,385	29.3	18,387	100.0	10,119	35.5	28,506	221	383	522	73.4
Aver.	6,373	39.2	2,505	15.4	2,119	13.0	10,997	67.6	5,262	32.4	16,259	100.0	6,205	27.6	22,464	188	349	512	68.2
1972	(8,786)	34.4	(3,044)	11.9	2,614	10.2	14,444	56.5	11,101	43.5	25,545	100.0	9,500	27.1	35,045	255	395	532	74.2
1973	(9,530)	33.5	(3,255)	11.4	(5,780)	20.3	(18,565)	65.2	(9,920)	34.8	(28,485)	100.0	(12,090)	29.8	(40,575)	278	408	541	75.4
1974	(10,401)	32.5	(3,501)	10.9	(8,948)	27.9	(22,850)	71.3	(9,191)	28.7	(32,041)	100.0	(14,709)	31.5	(46,750)	290	420	(550)	76.4

Sources: Statistics Canada, *Local Government Finance*, Revenue and Expenditure, Assets and Liabilities (Actual) 1952 to 1970. Post-1970 data are preliminary estimates made by the Commission using 1974 Budget projections and other sources. The estimates for 1973 and 1974, unlike the previous figures, do not include the tax collections of School Tax Authorities. From 1970 onward, these estimates will differ slightly from those presented in Table 6-5 of the report. The Commission used two different bases for projecting recent municipal revenue yields. In this table our projection is based upon Statistics Canada data, which we believe tend to overstate the annual level of local fiscal activity, although an allowance is made for the inclusion of School Tax Authority revenue activity. It will be noted that the projection of total local revenue (own sources) in this table for 1974 is estimated at $32,041 million. This amount differs from the projected figure of $29,400 million estimated by different procedures in Table 6-5 of the report. Variation in the amount of municipal non-tax revenue is due principally to the effect of federal government programmes which have had an increasing impact on local budgets in recent years. These payments are considered in this study as components of total local revenue (own sources).

Table B-3

Annual Per Capita Gross General Revenue Yields, Newfoundland, 1962-1974

Revenue Sources	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Personal Income Tax	$ 6.50	$ 6.97	$ 8.40	$ 12.61	$ 16.60	$ 23.53	$ 27.28	$ 37.64	$ 51.49	$ 53.72	$ 65.38	$ 86.74	$ 103.64
Corporation Income Tax	10.17	8.20	11.50	19.05	15.36	11.00	16.31	18.41	15.28	17.15	22.76	30.20	28.64
General Sales Tax	31.33	33.50	37.64	41.47	45.01	58.18	69.63	72.32	82.54	96.39	108.58	128.47	155.50
Motor Fuel Tax	16.12	18.80	20.15	24.86	27.83	28.09	36.04	38.49	41.26	43.21	50.38	54.16	56.36
Other Taxes	1.63	1.72	4.16	5.53	6.30	6.11	11.27	12.19	22.53	14.36	20.90	25.15	26.97
Total Taxes	65.75	69.19	81.85	103.48	111.10	126.91	160.53	179.05	213.10	224.83	268.06	324.70	371.07
Privileges, Licences and Permits	17.38	17.16	19.95	25.55	26.64	27.40	28.55	30.20	55.65	23.54	25.59	26.01	35.83
Other Non-Tax Revenue	12.53	13.03	16.20	16.27	20.28	23.20	36.44	51.13	50.96	98.37	79.76	95.97	91.91
Total Provincial Revenue (Own Sources)	95.66	99.38	118.00	145.30	158.02	177.51	225.52	260.38	319.71	346.74	373.41	446.68	498.81
Conditional Federal Transfers	72.86	75.05	96.54	104.49	101.93	127.95	128.42	152.19	179.18	212.95	194.92	218.91	261.48
Unconditional Federal Transfers	67.94	74.04	80.75	89.69	102.77	157.81	163.79	188.84	195.78	265.50	250.52	319.70	365.83
Total Federal Transfers	140.80	149.09	177.29	194.18	204.70	285.76	292.21	341.03	374.96	478.45	445.44	538.61	627.31
Total Provincial Revenue	236.46	248.47	295.29	339.48	362.72	463.27	517.73	601.41	694.67	825.19	818.85	985.29	1126.12
Municipal Taxes	10.79	12.01	14.12	15.12	16.32	17.26	20.85	21.20	22.95	24.95	27.07	31.00	36.00
Municipal Revenue (Own Sources)	11.11	13.54	15.64	17.18	20.44	25.33	36.58	29.94	31.49	35.22	47.93	51.00	56.00
Municipal Revenue (All Sources)	16.67	18.96	21.53	23.92	27.25	34.50	48.12	39.61	42.10	58.61	65.79	73.35	82.74
Combined Revenue (Gross)	$253.13	$267.43	$316.82	$363.40	$389.97	$497.77	$565.85	$641.02	$736.77	$883.80	$884.64	$1058.84	$1208.86
Combined Revenue (Net)	$247.57	$262.01	$310.93	$356.66	$383.16	$488.60	$554.31	$631.35	$726.16	$860.41	$866.78	$1036.29	$1182.12

Sources: Statistics Canada, as in previous tables. Post-1970 figures are estimates made by the Commission from provincial budgets and its own sources of information.

Table B-4

Annual Growth Index Numbers of Per Capita Gross General Revenue Yields, Newfoundland, 1962-1974

Revenue Sources	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
	%	%	%	%	%	%	%	%	%	%	%	%	%
Personal Income Tax	100.0	107.2	129.2	194.0	255.4	362.0	419.7	579.1	792.7	826.5	1,005.8	1,334.5	1,594.5
General Sales Tax	100.0	106.9	120.1	132.4	143.7	185.7	222.2	230.8	263.5	307.7	345.0	410.1	496.3
Corporation Income Tax	100.0	80.6	113.1	187.3	151.0	108.2	160.4	181.0	150.2	168.6	222.8	297.0	281.6
Motor Fuel Tax	100.0	116.6	125.0	154.2	172.6	174.3	223.6	238.8	256.0	268.1	311.9	336.0	394.6
Other Taxes	100.0	105.2	255.2	339.3	386.5	374.8	691.4	747.9	1382.2	881.0	1,282.2	1,542.9	1,654.6
Total Taxes	100.0	105.2	124.5	157.4	169.0	193.0	244.2	272.3	324.1	341.9	407.7	493.8	564.4
Privileges, Licences, Permits	100.0	98.7	114.8	147.0	153.3	157.7	164.3	173.8	320.2	135.4	147.2	149.7	206.2
Other Non-Tax Revenue	100.0	104.1	129.3	129.8	161.9	185.2	290.8	408.1	406.7	785.1	636.6	765.9	733.5
Total Provincial Revenue (Own Source)	100.0	103.9	123.4	151.9	165.2	185.6	235.8	272.2	334.2	362.5	390.4	466.9	521.4
Federal Transfers (Conditional)	100.0	103.0	132.5	143.4	139.9	175.6	176.3	208.9	245.9	292.3	267.5	300.4	358.9
Federal Transfers (Unconditional)	100.0	109.0	118.6	132.0	151.3	232.3	241.1	278.0	288.2	390.8	368.7	470.6	538.5
Total Federal Transfers	100.0	105.7	125.5	137.6	145.4	202.8	207.1	241.8	266.0	339.0	316.4	382.5	445.5
Total Provincial Revenue	100.0	105.1	125.0	143.6	153.4	196.2	219.5	254.7	294.5	349.6	346.2	416.7	476.2
Municipal Taxes	100.0	111.3	130.9	140.1	151.3	160.0	193.2	196.5	212.7	231.2	250.9	287.3	333.6
Municipal Revenue (Own Sources)	100.0	121.9	140.8	154.6	184.0	228.0	329.3	269.5	283.4	317.0	431.4	459.0	504.1
Total Municipal Revenue	100.0	113.7	129.2	143.5	163.5	207.0	288.7	237.6	252.5	351.6	394.7	440.0	896.3
Total Combined Revenue (Gross)	100.0	105.5	125.3	143.5	154.2	196.8	223.7	253.4	291.3	349.4	349.5	418.2	477.6
Total Combined Revenue (Net)	100.0	105.6	125.4	144.0	154.4	197.2	223.4	254.4	292.7	346.8	350.1	418.6	477.5

Source: Calculated from Table B-3.

Table B-5

Annual Growth Rates of Per Capita Gross General Revenue Yields, Newfoundland, 1962-1974

Revenue Sources	**1962**	**1963**	**1964**	**1965**	**1966**	**1967**	**1968**	**1969**	**1970**	**1971**	**1972**	**1973**	**1974**
	%	%	%	%	%	%	%	%	%	%	%	%	%
Personal Income Tax		7.2	20.5	50.1	31.6	41.7	15.9	38.0	36.8	4.3	21.7	32.7	19.5
General Sales Tax		6.9	12.4	10.2	8.5	29.3	19.6	3.9	14.1	16.8	12.6	18.9	21.0
Corporation Income Tax		−19.4	40.2	65.6	−19.4	−28.4	48.3	12.9	−17.0	12.2	32.7	33.3	− 5.2
Motor Fuel Tax		16.6	7.2	23.4	11.9	0.9	28.3	6.8	7.2	4.7	16.6	7.7	4.1
Other Taxes		5.5	141.9	32.9	13.9	− 3.0	84.5	8.2	84.8	−36.3	45.6	20.3	7.2
Total Taxes		5.2	18.3	26.4	7.4	14.2	26.5	11.6	19.0	5.5	19.2	21.5	14.3
Privileges, Licences, Permits		− 1.3	16.3	28.1	4.3	2.9	4.2	5.8	87.6	−57.7	8.7	0.5	37.8
Other Non-Tax Revenue		4.0	24.3	0.4	24.6	14.4	57.1	40.3	− 0.3	93.0	−18.9	31.5	− 4.2
Total Provincial Revenue (Own Sources)		3.9	22.9	23.1	8.8	12.3	27.0	15.5	22.8	33.1	7.7	22.0	11.7
Federal Transfers (Conditional)		2.7	28.5	8.2	− 2.4	25.5	0.4	18.5	17.7	18.8	− 8.5	8.4	19.4
Federal Transfers (Unconditional)		8.8	9.2	11.1	14.6	53.5	3.8	15.3	3.7	35.5	− 5.6	27.4	14.4
Total Federal Transfers		5.7	18.9	9.6	5.4	39.6	2.2	16.7	9.9	27.6	− 6.9	19.0	16.5
Total Provincial Revenue (All Sources)		5.1	19.0	14.9	6.8	27.7	11.7	16.2	15.5	18.8	− 0.8	20.3	14.3
Municipal Taxes		11.3	17.6	7.1	7.9	5.8	20.8	1.7	8.3	8.7	8.5	14.5	16.1
Total Municipal Revenue (Own Sources)		21.9	15.5	9.8	19.0	2[illegible].9	44.4	−18.2	5.2	11.8	36.1	6.4	9.8
Total Municipal Revenue (All Sources)		13.7	13.6	11.1	13.9	26.6	39.4	−17.7	6.3	39.2	12.2	11.5	12.8
Total Combined Revenue (Gross)		5.7	18.5	14.7	7.3	27.6	13.7	13.3	14.9	20.0	0.0	19.7	14.2
Total Combined Revenue (Net)		5.6	18.7	14.7	7.4	27.5	13.4	13.9	15.0	18.5	0.7	19.6	14.1

Source: Calculated from Table B-3.

Table B-6

Per Capita Gross General Revenue Yields as a Percentage of Personal Income Per Capita, Annual Ratios, Newfoundland, 1962-1974

Revenue Sources	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
	%	%	%	%	%	%	%	%	%	%	%	%	%
Personal Income Tax	0.66	0.67	0.76	1.02	1.20	1.56	1.65	2.09	2.59	2.46	2.66	3.14	3.37
General Sales Tax	3.17	3.23	3.42	3.35	3.26	3.85	4.21	4.03	4.16	4.41	4.39	4.65	5.07
Corporation Income Tax	1.03	0.79	1.05	1.54	1.11	0.73	0.99	1.03	0.77	0.78	0.92	1.09	0.93
Motor Fuel Tax	1.63	1.81	1.83	2.00	2.02	1.86	2.18	2.14	2.08	1.97	2.04	1.96	1.84
Other Taxes	0.17	0.17	0.38	0.45	0.46	0.40	0.68	0.68	1.13	0.66	0.85	0.91	0.88
Total Taxes	6.66	6.67	7.44	8.36	8.05	8.40	9.71	9.97	10.73	10.28	10.89	11.80	12.10
Privileges, Licences, Permits	1.76	1.66	1.82	2.06	1.93	1.81	1.73	1.68	2.80	1.08	1.05	0.94	1.17
Other Non-Tax Revenue	1.27	1.26	1.47	1.31	1.47	1.53	2.20	2.85	2.57	4.50	3.24	3.48	2.99
Total Provincial Revenue (Own Sources)	9.69	9.59	10.73	11.73	11.45	11.74	13.64	14.50	16.10	15.86	15.20	6.18	16.24
Federal Transfers (Conditional)	7.38	7.24	8.78	8.44	7.39	8.46	7.76	8.47	9.02	9.73	7.92	7.93	8.51
Federal Transfers (Unconditional)	6.88	7.15	7.35	7.24	7.45	10.43	9.90	10.51	9.86	12.13	10.18	11.58	11.91
Total Federal Transfers	14.26	14.39	16.13	15.68	14.84	18.89	17.66	18.98	18.88	21.86	18.10	19.51	20.43
Total Provincial Revenue (All Sources)	23.95	23.98	26.86	27.41	26.29	30.63	31.30	33.48	34.98	37.72	33.26	35.70	36.67
Municipal Taxes	1.09	1.16	1.28	1.22	1.18	1.14	1.26	1.18	1.16	1.14	1.10	1.12	1.17
Municipal Revenue (Own Sources)	1.13	1.31	1.42	1.39	1.48	1.67	2.21	1.67	1.59	1.61	1.95	1.85	1.82
Total Municipal Revenue (All Sources)	1.69	1.83	1.96	1.93	1.98	2.28	2.91	2.21	2.12	2.68	2.67	2.66	2.69
Combined Revenue (Gross)	25.64	25.81	28.82	29.34	28.27	32.91	34.21	35.69	37.10	40.40	35.94	38.36	39.36
Combined Revenue (Net)	25.08	25.29	28.29	28.81	27.79	32.29	33.51	35.15	36.56	39.32	35.21	37.55	38.49

Sources: Tables B-3 and A-3.

Table B-7

Profiles of Combined Provincial-Municipal Expenditure Per Capita with Allocation Ratios, Newfoundland, 1962, 1969 and 1972 (Estimate)

Expenditure Component	1962 (Actual)				1969 (Actual)				1972 (Estimate)				Growth Index (1962 = 100)			
	Provincial Per Capita		Municipal Per Capita		Provincial Per Capita		Municipal Per Capita		Provincial Per Capita		Municipal Per Capita		Provincial		Municipal	
	$	%	$	%	$	%	$	%	$	%	$	%	Short	Long	Short	Long
Education	86.37	(29.9)			153.68	(24.1)			271.80	(26.2)			177.9	314.7		
Health	62.27	(21.6)			125.89	(19.7)			223.50	(21.5)			202.2	358.9		
Transportation and Communication	48.22	(16.7)			103.54	(16.2)			137.59	(13.2)			214.7	285.3		
Social Assistance	40.01	(13.9)			80.60	(12.6)			107.14	(10.3)			201.4	267.8		
Natural Resources	7.87	(2.7)			23.51	(3.7)			43.05	(4.1)			298.7	547.0		
Industrial Development	1.00	(0.3)			16.34	(2.6)			29.88	(2.9)			1634.0	2988.0		
Transfers to Municipalities (Unconditional)	3.76	(1.3)			5.44	(0.8)			6.77	(0.6)			144.7	180.1		
General Government	12.57	(4.4)	2.07	(12.9)	22.98	(3.6)	6.76	(17.6)	32.33	(3.1)	7.08	(10.8)	182.8	257.2	326.6	342.0
Protection	7.90	(2.7)	1.23	(7.7)	16.02	(2.5)	2.77	(7.2)	21.62	(2.1)	5.67	(8.6)	202.8	273.7	225.2	461.0
Recreation and Cultural Services	0.60	(0.2)	0.61	(3.8)	4.82	(0.8)	2.00	(5.2)	9.02	(0.9)	6.35	(9.7)	803.3	1503.3	327.9	1041.0
Government Enterprises	2.55	(0.9)	0.57	(3.6)	4.37	(0.7)	0.86	(2.2)	25.75	(2.5)	1.85	(2.8)	171.4	1009.8	150.9	324.6
Debt Charges*	13.72	(4.8)	1.09	(6.8)	65.77	(10.3)	5.75	(15.0)	106.20	(10.2)	9.20	(14.0)	479.4	774.1	527.5	844.0
Sanitation and Waterworks			2.38	(14.8)			8.15	(21.2)			16.10	(24.6)			342.4	676.5
Public Works			6.94	(43.3)			10.11	(26.4)			17.85	(27.3)			145.7	257.2
Other Expenditure	1.52	(0.6)	1.13	(7.1)	15.05	(2.4)	1.99	(5.2)	24.44	(2.4)	1.45	(2.2)	990.1	1607.9	176.1	128.3
Total Expenditure	288.36	(100.0)	16.02	(100.0)	638.01	(100.0)	38.39	(100.0)	1039.09	(100.0)	65.55	(100.0)	221.3	360.3	239.6	409.2

*Exclusive of debt retirement.

Source: Statistics Canada, *Provincial Government Finance* . . . and *Local Government Finance* . . . 1962 and 1969; 1972 Estimates.

Table B-8

Provincial Government Current and Capital Budgetary Expenditure, by Major Function, and Non-Budgetary Expenditure

1970 to 1974

	1974[1] $000	% Change	1973[2] $000	% Change	1972 $000	% Change	1971 $000	% Change	1970 $000
Current and Capital Expenditure[3]									
General Government	27,206	+15.7	23,508	+18.1	19,900	+17.0	17,015	+ 11.1	15,310
Protection of Persons and Property	17,692	+ 9.9	16,092	+29.3	12,450	+16.7	10,664	+ 13.5	9,396
Transportation and Communication	76,667	+16.7	65,690	− 6.0	69,913	−16.3	83,559	+ 32.0	63,321
Health	148,487	+17.9	125,988	+36.6	92,264	+18.0	78,218	+ 15.4	67,787
Social Assistance	61,938	+21.0	51,179	− 1.3	51,872	− 4.5	54,303	+ 17.4	46,258
Recreational and Cultural Services	10,581	+59.4	6,638	+28.2	5,179	−31.9	7,601	+ 96.8	3,863
Education	198,713	+22.6	162,116	+14.3	141,796	+ 7.1	132,396	+ 37.1	96,580
Natural Resources and Primary Industries	50,145	+52.4	32,906	+58.1	20,819	+11.7	18,642	+ 89.1	9,857
Trade and Industrial Development	46,050	−38.5	74,853	−22.9	97,055	+85.0	52,456	+ 24.1	42,286
Local Government Planning and Development	10,949	− 4.0	11,408	− 2.1	11,653	−20.2	14,609	+ 59.7	9,147
Debt Charges and Other Financial Expenses[4]	82,220	−16.6	70,536	+30.0	54,259	+21.9	44,522	+ 19.0	37,418
Other	21,985	+45.7	15,090	+35.3	11,150	−27.1	15,292	+165.0	5,771
Total Budgetary Expenditure	752,633	+14.7	656,004	+11.5	588,320	+11.2	529,277	+ 30.0	406,994
Non-Budgetary Expenditure[5]	35,185	+ 2.6	34,291	−13.1	39,440	−45.5	72,361	+615.7	10,110
Total Expenditure (Budgetary and Non-Budgetary)	787,818	+14.1	690,295	+10.0	627,760	+ 4.3	601,638	+ 44.2	417,104

[1] Estimates

[2] Revised

[3] DREE Expenditures have been allocated to functional categories with the exception of expenditures on Industrial and Residential Servicing which has been allocated to the "Other" category.

[4] Includes Interest on the Public Debt; Rental Purchase; and Debt Management Expenses.

[5] Includes Expenditures on Sinking Fund and Debt Redemption (Principal).

Source: Province of Newfoundland, Budget, 1974 p. 50

Table B-9

Components of Combined Provincial-Municipal Public Debt Per Capita, Newfoundland, 1970-1974

Components of Combined Public Debt	1970	1971	1972	1973	1974	Index of Increase (1970 = 100)	Estimated Direct and Guaranteed Debt 1974
	Per Capita	Per Capita	Per Capita	Per Capita	Per Capita		
	$ %	$ %	$ %	$ %	$ %		(Million $)
Direct Net Provincial Debt	77.32	966.43	1,098.01	1,470.10	1,596.68	205.4	876.2
(Municipal Debentures Guaranteed)	36.93	35.15	32.95	30.93	27.57	74.7	15.2
(Municipal Finance Corporation Debentures)	33.34	31.83	30.17	56.27	53.46	160.3	29.4
(Total Local Debenture Borrowing)	70.27	66.98	63.12	87.20	81.03	115.3	44.6
(Municipal Bank Loans Guaranteed)	10.15	13.92	30.76	29.93	64.62	636.7	35.5
Provincial Guaranteed Debt	547.05	597.91	747.91	596.28	614.81	112.4	338.1
Provincial Direct and Guaranteed Debt	1,324.37	1,563.34	1,845.92	2,066.38	2,211.49	167.0	1,216.3
Municipal Debenture Borrowing:							
• As Percentage of Direct Debt	9.0	6.9	5.7	5.9	5.1		
• As Percentage of Guaranteed Debt	12.8	11.2	8.4	14.6	13.2		
• As Percentage of Direct and Guaranteed Debt	5.3	4.3	3.4	4.2	3.7		

Source: Province of Newfoundland, *Budget*, 1974, Exhibit VIII

Appendix C

Interprovincial Financial Comparisons, 1970-1972

Table C-1

Components of Combined Provincial-Municipal General Revenue, 1972 Estimates, by Province

Component	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	All Provinces
					(Million $)						
1. Provincial Tax Yield	142.6	32.5	227.3	211.2	3,090.9	3,608.0	375.9	252.5	470.8	875.1	9,286.8
2. Provincial Non-Tax Revenue	56.2	17.9	97.1	63.1	549.1	1,010.4	123.3	188.6	566.7	435.8	3,108.2
3. Provincial Revenue (Own Sources)	198.8	50.4	324.4	274.3	3,640.0	4,618.4	499.2	441.1	1,037.5	1,310.9	12,395.0
4. All Federal Transfers	237.0	57.6	263.2	245.9	1,272.5	1,183.0	231.6	265.9	273.4	268.5	4,298.6
5. Total Provincial Revenue	435.7	108.0	587.6	520.2	4,912.5	5,801.4	730.8	707.0	1,310.9	1,579.4	16,693.6
6. Municipal Tax Yield	14.4	2.8	92.7	18.8	1,098.3	1,709.6	178.7	174.6	301.2	448.9	4,040.0
7. Municipal Non-Tax Revenue	6.7	1.2	22.1	8.9	154.0	261.7	36.7	39.6	98.7	87.6	717.2
8. Municipal Revenue (Own Sources)	21.1	4.0	114.8	27.7	1,252.3	1,971.3	215.4	214.2	399.9	536.5	4,757.2
9. Federal Transfers	4.4	1.1	15.7	7.3	38.3	83.8	11.9	7.5	13.0	22.0	205.0
10. Provincial Transfers	9.5	18.1	127.0	18.1	1,140.0	1,854.0	170.6	123.8	330.1	372.9	4,164.1
11. Total Municipal Revenue	35.0	23.2	257.5	53.1	2,430.6	3,909.1	397.9	345.5	743.0	931.4	9,126.3
12. Total Combined Revenue (Gross)	470.7	131.2	845.1	573.3	7,343.1	9,710.5	1,128.7	1,052.5	2,053.9	2,510.8	25,819.8
13. Total Combined Revenue (Net)	461.2	113.1	718.1	555.2	6,203.1	7,856.5	958.1	928.7	1,723.8	2,137.9	21,655.7
	%	%	%	%	%	%	%	%	%	%	%
14. 8 as % of 3	11.1	7.9	35.4	10.1	34.4	42.7	43.1	48.6	38.5	40.9	38.4
15. 11 as % of 13	7.6	20.5	35.9	9.6	39.2	49.8	41.5	37.2	43.1	43.6	42.1
16. 10 as % of 3	4.7	35.9	39.1	6.6	31.3	40.1	34.2	28.1	31.8	28.4	33.6
17. 10 as % of 5	2.2	16.8	21.6	3.5	23.2	32.0	23.3	17.5	25.2	23.6	24.9
18. 1 as % of 3	71.7	64.5	70.1	77.0	84.9	78.1	75.3	57.2	45.4	66.8	74.9
19. 2 as % of 3	28.3	35.5	29.9	23.0	15.1	21.9	24.7	42.8	54.6	33.2	25.1

Sources: Statistics Canada, Provincial Government Finance . . . . 1972 (Estimates), and *Local Government Finance 1972* (Estimates)

Table C-2
Component Ratios of Combined Provincial-Municipal General Revenue, 1972 Estimates, By Province

Component	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	All Provinces
	%	%	%	%	%	%	%	%	%	%	%
Provincial Tax Yield	30.9	28.7	31.7	38.0	49.8	45.9	39.2	27.2	27.3	40.9	42.8
Provincial Non-Tax Revenue	12.2	15.8	13.5	11.3	8.9	12.9	12.9	20.3	32.9	20.4	14.3
Provincial Revenue (Own Sources)	43.1	44.5	45.2	49.4	58.7	58.8	52.1	47.5	60.2	61.3	57.1
Federal Transfers to Province	51.4	50.9	36.6	44.3	20.5	15.1	24.2	28.6	15.9	12.6	19.9
Total Provincial Revenue	94.5	95.4	81.8	93.7	79.2	73.9	76.3	76.1	76.1	73.9	77.0
Municipal Tax Yield	3.1	2.5	12.9	3.4	17.7	21.8	18.7	18.8	17.5	21.0	18.6
Municipal Non-Tax Revenue	1.5	1.1	3.1	1.6	2.5	3.3	3.8	4.3	5.7	4.1	3.3
Municipal Revenue (Own Sources)	4.6	3.6	16.0	5.0	20.2	25.1	22.5	23.1	23.2	25.1	21.9
Federal Transfers to Municipalities	1.0	1.0	2.2	1.3	6.2	1.1	1.2	0.8	0.8	1.0	1.0
Provincial Transfers to Municipalities	2.1	16.0	17.7	3.3	18.3	23.6	17.8	13.3	19.2	17.4	19.2
Total Municipal Revenue	7.6	20.5	35.9	9.6	39.2	49.8	41.5	37.2	43.1	43.6	42.1
Total Combined Revenue (Less: Provincial Transfers to Municipalities)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Calculated from Table C-1

Table C-3

Component Ratios of Combined Provincial-Municipal General Revenue: Interprovincial Indicators, 1972 Estimates

Component	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	All Provinces
Provincial-Municipal Tax Yield (Million $)	157.0	35.3	320.0	230.0	4,189.2	5,317.6	554.6	427.1	772.0	1,324.0	13,326.8
Yield Per Capita ($)	295	312	403	358	691	680	559	466	466	589	610
As Percentage of Combined Revenue (Own Sources) (%)	79.0	64.5	70.1	77.0	84.9	78.1	75.3	57.2	45.4	66.8	74.9
As Percentage of Total Combined Net Revenue (%)	34.0	31.2	44.6	41.4	67.5	67.7	57.9	46.0	44.8	61.9	61.4
As Percentage of Personal Income (%)	12.0	12.8	13.5	12.8	20.6	15.7	15.6	15.7	12.4	14.4	16.3
Provincial-Municipal Non-Tax Revenue (Million $)	62.9	19.1	119.2	72.0	703.1	1,272.1	160.0	228.2	665.4	523.4	3,825.4
Yield Per Capita ($)	118	169	150	112	116	163	161	249	402	233	175
As Percentage of Combined Revenue (Own Sources) (%)	21.0	35.5	29.9	23.0	15.1	21.9	24.7	42.8	54.6	33.2	25.1
As Percentage of Total Combined Net Revenue (%)	13.6	16.9	16.6	12.9	11.4	16.2	16.7	24.6	38.6	24.5	17.6
As Percentage of Personal Income (%)	4.8	6.9	5.0	4.0	3.4	3.8	4.5	8.4	10.7	5.8	4.7
Provincial-Municipal Revenue (Own Sources) (Million $)	219.9	54.4	439.2	302.0	4,892.3	6,589.7	714.6	655.3	1,437.4	1,437.4	17,152.2
Yield Per Capita ($)	413	481	553	470	807	843	720	695	868	822	785
As Percentage of Total Combined Net Revenue (%)	47.7	48.1	61.2	54.3	78.9	83.9	74.6	70.6	83.4	86.4	79.0
As Percentage of Personal Income (%)	16.8	19.7	18.5	16.8	24.0	19.5	20.1	24.1	23.1	20.2	21.0
Total Federal Transfers to Province (Million $)	237.0	57.6	263.2	245.9	1,272.5	1,183.0	231.6	265.9	273.4	268.5	4,298.6
Yield Per Capita ($)	445	510	331	383	210	151	233	290	165	119	197
As Percentage of Total Combined Net Revenue (%)	51.4	50.9	36.6	44.2	20.5	15.1	24.2	28.6	15.9	12.6	19.8
As Percentage of Personal Income (%)	18.1	20.9	11.1	13.7	6.3	3.5	6.5	9.8	4.4	2.9	5.3
Total Provincial-Municipal Net Revenue (Million $)	461.2	113.1	718.1	555.2	6,203.1	7,856.5	958.1	928.7	1,723.8	2,137.9	21,655.7
Yield Per Capita ($)	867	1,001	904	865	1,024	1,004	966	1,014	1,042	951	992
As Percentage of Personal Income (%)	35.2	41.0	30.2	31.0	30.5	23.2	27.0	34.2	27.7	23.3	26.5
Income Per Capita ($)	2,462	2,442	2,991	2,793	3,359	4,324	3,580	2,968	3,756	4,078	3,750

Source: Calculated from Table C-1.

Table C-4
Comparative Rates of Principal Provincial Taxes, 1969-1973

Province	Retail Sales Tax Rates			Personal Income Tax Rates			Corporation Income Tax Rates			Motor Fuel Tax Rates			Tobacco Tax Rates		
	1969	**1971**	**1973**	**1969**	**1971**	**1973**	**1969**	**1971**	**1973**	**1969**	**1971**	**1973**	**1969**	**1971**	**1973**
	%	%	%	%	%	%	%	%	%	c/gal.	c/gal.	c/gal.	c/cig.	c/cig.	c/cig.
Nfld.	7	7	7 8	33	33	36.0 40.0	13	13	13 13	.25	.25	.25 .25	½	½	1
P.E.I.	7	8	8	28	33	36.0	10	10	10	.21	.21	.21	2/5	2/5	2/5
N.S.	7	7	7	28	28	38.5	10	10	10	.21	.21	.21	4/10	2/5	2/5
N.B.	8	8	8	38	38	41.5	10	10	10	.20	.20	.20	2/5	2/5	2/5
Que.	8	8	8	(50)	(53)	(58)	12	12	12	.19	.19	.19	10/25	2/5	2/5
Ont.	5	5	7	28	28	30.5	12	12	12	.18	.18	.19	4/10	2/5	23/50
Man.	5	5	5	33	39	42.5	11	13	13	.17	.17	.17	2/5	2/5	3/5
Sask.	5	5	5	33	34	40.0	11	11	12	.17	.19	.19	8/25	8/25	9/25
Alta.	nil	nil	nil	33	33	36.5	11	11	11	.15	.15	.15	S.T.	8/25	8/25
B.C.	5	5	5	28	28	30.5	10	10	12	.13	.15	.15	S.T.	8/25	8/25

Sources: Canadian Tax Foundation, *Provincial Finances*, Various Issues.

Table C-5

Incremental Per Capita Yields of Four Main Tax Sources Related to Total Per Capita Provincial Taxes and Non-Tax Revenue, By Province, 1969

	Retail Sales Tax (Per Capita)			Personal Income Tax (Per Capita)			Corporation Income Tax (Per Capita)			Motor Fuel Tax (Per Capita)			Four Principal Taxes Combined (Per Capita)			Per Capita Provincial Revenue (Own Sources)		
	1% Yield	% of Taxes	% of NTR	1% Yield	% of Taxes	% of NTR	1% Yield	% of Taxes	% of NTR	1c Yield	% of Taxes	% of NTR	Incremental Yields	% of Taxes	% of NTR	Taxes	N.T. Rev.	Total
	$	%	%	$	%	%	$	%	%	$	%	%	$	%	%	$	$	$
Nfld.	10.33	5.771	14.549	1.14	0.637	1.606	1.42	0.793	2.000	1.54	0.860	2.169	14.43	8.061	20.324	179	71	250
P.E.I.	8.78	5.105	8.608	1.09	0.634	1.069	1.24	0.721	1.216	2.33	1.355	2.284	13.44	7.814	13.176	172	102	274
N.S.	11.29	5.617	11.290	1.83	0.910	1.830	1.72	0.856	1.720	2.34	1.164	2.340	17.18	8.547	17.180	201	100	301
N.B.	10.45	4.147	13.228	1.44	0.571	1.823	1.62	0.643	2.051	2.34	0.928	2.962	15.05	6.290	19.051	252	79	331
Que.	11.21	3.231	16.731	2.75	0.793	4.104	2.56	0.738	3.821	2.50	0.720	3.721	19.02	5.481	28.388	347	67	414
Ont.	11.21	2.775	11.323	3.73	0.923	3.768	5.03	1.245	5.081	3.00	0.743	3.030	22.97	5.686	23.202	404	99	503
Man.	13.99	4.679	14.131	2.53	0.846	2.556	2.97	0.993	3.000	2.68	0.896	2.707	22.17	7.415	22.394	299	99	398
Sask.	13.47	5.684	8.580	2.02	0.852	1.287	2.13	0.899	1.357	2.91	1.228	1.854	20.53	8.662	13.076	237	157	394
Alta.	-	-	-	2.66	1.167	0.908	3.81	1.671	1.300	3.51	1.539	1.198	9.98	4.377	3.406	228	293	521
B.C.	20.88	6.159	10.930	3.39	1.000	1.775	4.31	1.271	2.257	2.95	0.870	1.553	31.53	9.301	16.508	339	191	530

Sources: Calculated from data in Statistics Canada, *Provincial Government Finance, Revenue and Expenditure, 1969*.

Table C-6

Incremental Yields of Four Main Tax Sources, Total Provincial Taxes, Non-Tax Revenue, Total Provincial Revenue (Own Sources) Federal Transfers and Total Gross Revenue as a Percentage of Personal Income, by Province, 1969

Province	Retail Sales Tax 1% Yield as % of Personal Income	Personal Income Tax 1% Yield as % of Personal Income	Corporation Income Tax 1% Yield as % of Personal Income	Motor Fuel Tax 1c Gal. Yield as % of Personal Income	All Prov. Taxes as % of Personal Income	Non-Tax Revenue as % of Personal Income	Total Prov. Revenue (Own Sources) as % of Personal Income	Federal Transfers as % of Personal Income	Gross Provincial Revenue as % of Personal Income
	%	%	%	%	%	%	%	%	%
Nfld.	0.575	0.063	0.079	0.086	9.970	3.936	13.906	19.004	32.910
P.E.I.	0.475	0.059	0.066	0.125	9.234	5.490	14.724	18.373	33.097
N.S.	0.495	0.079	0.074	0.101	8.647	4.287	12.934	11.055	23.989
N.B.	0.507	0.069	0.078	0.113	12.163	3.785	15.948	12.693	28.641
Que.	0.431	0.105	0.097	0.095	13.231	2.532	15.763	4.475	20.238
Ont.	0.323	0.083	0.143	0.086	11.504	2.830	14.334	2.917	17.251
Man.	0.507	0.091	0.107	0.096	10.731	3.538	14.269	5.861	20.130
Sask.	0.569	0.085	0.090	0.123	10.033	6.660	16.693	5.551	22.244
Alta.	-	-	1.127	0.117	7.571	9.745	17.316	4.745	22.061
B.C.	0.709	0.102	0.130	0.089	10.238	5.772	16.010	3.099	19.109

Sources: Calculated from Tables C-4 and C-5.

Table C-7

Components of Combined Provincial-Municipal Gross Expenditure, 1972 Estimates, By Province

Component	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	All Provinces
					(Million $)						
Education	144.6	33.1	219.2	175.2	1,867.7	2,645.0	270.8	267.6	602.9	595.7	6,821.8
Health	118.9	22.5	166.8	124.0	1,362.6	2,059.3	224.2	206.4	424.9	469.3	5,175.4
Social Welfare	57.0	8.8	59.8	51.8	727.4	535.0	85.1	77.1	127.9	180.3	1,913.8
Transportation	80.6	12.2	88.9	85.8	750.4	910.3	89.2	127.4	218.8	225.8	2,589.4
Industrial Development	15.9	2.0	8.1	7.9	62.8	17.8	6.8	4.1	8.6	5.0	139.0
Debt Charges	61.4	10.0	97.0	42.7	525.8	745.6	64.1	63.7	157.5	86.3	1,854.1
Protection	14.5	3.0	30.8	23.9	369.8	569.5	54.7	42.5	118.8	130.2	1,357.8
Sanitation and Waterworks	5.2	2.1	19.5	23.4	217.3	326.9	36.8	17.7	51.5	105.9	806.4
Natural Resources	22.9	7.8	24.9	23.3	170.8	191.5	42.9	38.9	59.6	112.5	695.1
Recreation-Culture	8.0	4.6	17.7	17.1	139.5	229.8	26.9	19.6	55.7	75.9	594.9
General Government	21.0	8.0	32.2	33.0	386.9	356.3	55.2	37.5	73.1	107.1	1,110.3
Own Enterprises	14.7	-	3.6	3.1	49.9	68.5	7.7	0.8	7.4	5.0	160.7
Other Expenditures	13.5	4.1	6.7	5.4	141.9	135.8	7.9	29.8	63.8	104.9	514.0
Total Expenditure	578.2	118.4	775.4	616.6	6,772.8	8,791.3	972.3	933.2	1,970.6	2,203.9	23,732.7

Sources: Statistics Canada, *Provincial Government Finance . . . 1972* (Estimates) and *Local Government Finance, 1972* (Estimates).

Table C-8

Components of Combined Provincial-Municipal Gross Expenditure Per Capita, 1972 Estimates, by Province

Component	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	All Provinces
Education	$271.80	$292.92	$276.07	$272.90	$308.25	$338.02	$272.98	$292.14	$364.29	$265.11	$312.47
Health	223.50	199.16	210.08	193.15	224.89	263.17	226.01	225.33	256.74	208.86	237.08
Social Welfare	107.14	77.88	75.31	80.69	120.05	68.37	85.79	84.17	77.28	80.24	87.67
Transportation	151.50	107.96	111.96	133.64	123.85	116.33	89.92	139.08	132.21	100.49	118.62
Industrial Development	29.89	17.70	10.20	12.31	10.36	2.27	6.85	4.48	5.20	2.23	6.37
Debt Charges	115.41	88.50	122.17	66.51	86.78	95.28	64.62	69.54	95.17	38.41	84.93
Protection	27.26	26.55	38.80	37.23	61.03	72.78	55.14	46.40	71.78	57.94	62.20
Sanitation and Waterworks	9.77	18.58	24.56	36.45	35.96	41.78	37.10	19.32	31.12	47.13	36.94
Natural Resources	43.05	69.03	31.36	36.29	28.19	24.47	43.25	42.47	36.01	50.07	31.84
Recreation-Culture	15.04	40.71	22.29	26.64	23.02	29.37	27.12	21.40	33.66	33.76	27.25
General Government	39.47	71.00	40.55	51.40	63.86	45.53	55.65	40.94	44.17	47.66	50.86
Own Enterprises	27.63	-	4.53	4.83	8.24	8.75	7.76	0.87	4.47	2.23	7.36
Other Expenditures	25.38	36.28	8.44	8.41	23.42	17.35	7.96	32.53	38.55	46.68	23.55
Total Expenditure	1,086.84	1,047.79	976.57	960 44	1,117.81	1,123.49	980.14	1,018.78	1,190.69	980.82	1,087.14

Source: Calculated from Table C-7.

Table C-9

Percentage Allocation Ratios of Combined Provincial-Municipal Gross Expenditure Per Capita, 1972 Estimates, by Province

Component	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	All Provinces
	%	%	%	%	%	%	%	%	%	%	%
Education	25.0	28.0	28.3	28.4	27.6	30.1	27.9	28.7	30.6	27.0	28.7
Health	20.6	19.0	21.5	20.1	20.1	23.4	23.1	22.1	21.6	21.3	21.8
Social Welfare	9.9	7.4	7.7	8.4	10.7	6.1	8.8	8.3	6.5	8.2	8.1
Transportation	13.9	10.3	11.5	13.9	11.1	10.4	9.2	13.7	11.1	10.2	10.9
Industrial Development	2.7	1.7	1.0	1.3	0.9	0.2	0.7	0.4	0.4	0.2	0.6
Debt Charges	10.6	8.4	12.5	6.9	7.8	8.5	6.6	6.8	8.0	3.9	7.8
Protection	2.5	2.5	4.0	3.9	5.5	6.5	5.6	4.6	6.0	5.9	5.7
Sanitation and Waterworks	0.9	1.8	2.5	3.8	3.2	3.7	3.8	1.9	2.6	4.8	3.4
Natural Resources	4.0	6.6	3.2	3.8	2.5	2.2	4.4	4.2	3.0	5.1	2.9
Recreation-Culture	1.4	3.9	2.3	2.8	2.1	2.6	2.8	2.1	2.8	3.4	2.5
General Government	3.6	6.8	4.2	5.4	5.7	4.1	5.7	4.0	3.7	4.9	4.7
Own Enterprises	2.5	-	0.5	0.5	0.7	0.8	0.8	-	0.4	0.2	0.7
Other Expenditure	2.4	3.6	0.8	0.8	2.1	1.4	0.6	3.2	3.3	4.9	2.2
Total Expenditures	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculated from Table C-8.

Table C-10

Municipal Gross Expenditure as a Percentage of Combined Provincial-Municipal Gross Expenditure, 1972 Estimates, by Province

Component	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	All Provinces
	%	%	%	%	%	%	%	%	%	%	%
Education	0.7	7.3	37.7	0.5	22.2	28.5	27.3	33.2	24.4	37.0	25.9
Health	-	-	3.8	0.7	0.1	1.5	5.0	4.9	4.3	1.9	1.6
Social Welfare	-	-	27.6	-	1.0	21.6	4.1	3.9	7.5	17.1	9.9
Transportation	9.2	7.3	18.3	13.4	30.3	35.9	40.2	33.5	48.1	19.4	31.6
Industrial Development	-	-	-	-	-	-	-	-	-	-	-
Debt Charges	7.9	12.0	16.3	10.1	52.0	29.3	33.5	29.4	32.5	64.0	25.2
Protection	20.7	30.0	53.2	54.4	52.1	55.0	54.5	50.8	54.3	61.7	54.4
Sanitation and Waterworks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Natural Resources	-	-	-	-	-	-	-	-	-	-	
Recreation-Culture	40.0	19.6	53.1	49.7	69.4	72.6	59.5	64.3	77.7	78.0	70.1
General Government	18.1	6.3	35.4	19.1	43.6	47.7	46.9	36.5	44.0	42.4	43.0
Own Enterprises	6.8	-	13.9	-	95.0	55.3	77.9	100.0	100.0	-	62.9
Other Expenditures	3.7	7.3	31.3	31.5	54.1	43.2	84.8	10.7	11.4	25.6	35.9
Total Expenditure	5.2	8.6	22.5	11.2	25.5	28.7	27.5	25.0	27.3	30.7	26.3

Source: Calculated from sources indicated in Table C-7.

Table C-11

Components of Combined Provincial-Municipal Gross Expenditure as a Percentage of Personal Income, 1972 Estimates, by Province

Component	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	All Provinces
	%	%	%	%	%	%	%	%	%	%	%
Education	11.04	11.99	9.23	9.77	9.18	7.82	7.63	9.84	9.70	6.50	8.33
Health	9.08	8.15	7.02	6.92	6.70	6.09	6.31	7.59	6.83	5.12	6.32
Social Welfare	4.35	3.18	2.52	2.89	3.57	1.58	2.40	2.84	2.06	1.97	2.34
Transportation	6.15	4.42	3.74	4.79	3.69	2.69	2.51	4.69	3.52	2.46	3.16
Industrial Development	1.21	0.72	0.34	0.44	0.31	0.05	0.19	0.15	0.14	0.05	0.17
Debt Charges	4.69	3.62	4.08	2.38	2.58	2.20	1.81	2.34	2.53	0.94	2.27
Protection	1.11	1.09	1.30	1.33	1.82	1.68	1.54	1.56	1.91	1.42	1.66
Sanitation and Waterworks	0.40	0.76	0.82	1.31	1.07	0.97	1.04	0.65	0.83	1.16	0.99
Natural Resources	1.75	2.83	1.05	1.30	0.84	0.57	1.21	1.43	0.96	1.23	0.85
Recreation-Culture	0.61	1.67	0.75	0.95	0.69	0.68	0.76	0.72	0.90	0.83	0.73
General Government	1.80	2.90	1.36	1.84	1.90	1.05	1.55	1.40	1.18	1.17	1.36
Own Enterprises	1.12	-	0.15	0.17	0.25	0.20	0.22	0.03	0.12	0.05	0.20
Other Expenditures	1.03	1.49	0.28	0.30	0.70	0.40	0.22	1.10	1.03	1.14	0.63
Total Expenditure	44.14	42.82	32.64	34.39	33.30	25.98	27.39	34.34	31.71	24.04	29.01

Sources: Calculated from Tables C-3 and C-7.

Table C-12

Combined Provincial-Municipal Direct and Guaranteed Public Debt Outstanding Per Capita Related to Provincial Personal Income and Combined Revenue (Own Sources) by Province, 1970

Public Debt Component (Per Capita)	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	All Provinces
1. Provincial Direct Debt	$1,281 (67.3%)	$1,136 (78.6%)	$1,319 (82.5%)	$ 921 (60.8%)	$ 547 (37.2%)	$ 783 (50.0%)	$ 768 (39.2%)	$ 833 (69.7%)	$ 733 (33.1%)	$ 259 (13.7%)	$ 699 (42.9%)
2. Provincial Guaranteed Debt less Municipal Debentures Outstanding	$ 551 (29.0%)	$ 157 (10.9%)	$ 56 (3.5%)	$ 491 (32.4%)	$ 533 (36.2%)	$ 316 (20.2%)	$ 815 (41.6%)	80 (6.7%)	$ 902 (40.8%)	$1,249 (66.0%)	$ 529 (32.4%)
3. Guaranteed Municipal Debentures	$ 70 (3.7%)	$ 153 (10.5%)	$ 224 (14.0%)	$ 104 (6.8%)	$ 392 (26.6%)	$ 468 (29.8%)	$ 374 (19.2%)	$ 282 (23.6%)	$ 578 (26.1%)	$ 385 (20.3%)	$ 403 (24.7%)
4. Provincial-Municipal Direct Debt	$1,351 (71.0%)	$1,289 (89.1%)	$1,543 (96.5%)	$1,025 (67.6%)	$ 939 (63.8%)	$1,251 (79.8%)	$1,160 (58.4%)	$1,142 (93.3%)	$1,311 (59.2%)	$ 644 (34.0%)	$1,102 (67.6%)
5. Provincial-Municipal Direct and Guaranteed Debt	$1,902 (100.0%)	$1,446 (100.0%)	$1,599 (100.0%)	$1,516 (100.0%)	$1,472 (100.0%)	$1,567 (100.0%)	$1,957 (100.0%)	$1,195 (100.0%)	$2,213 (100.0%)	$1,893 (100.0%)	$1,631 (100.0%)
6. Personal Income Per Capita	$1,986	$2,100	$2,427	$2,260	$2,775	$3,711	$2,906	$2,245	$3,105	$3,404	$3,131
7. (1) As Percentage of (6)	(64.5)	(54.1)	(54.3)	(40.8)	(19.7)	(21.1)	(26.4)	(37.1)	(23.6)	(7.6)	(22.3)
8. (4) As Percentage of (6)	(68.0)	(61.4)	(63.6)	(45.4)	(33.8)	(33.7)	(39.9)	(50.9)	(42.2)	(18.9)	(35.1)
9. (5) As Percentage of (6)	(95.8)	(68.9)	(65.9)	(67.1)	(53.0)	(42.2)	(67.3)	(53.2)	(71.3)	(55.6)	(52.1)
10. Combined Provincial-Municipal Revenue (Own Sources) - (million $) Per Capita	143.7 275	38.1 340	324.5 411	229.2 361	3,536.6 581	5,489.9 713	580.2 587	582.1 629	1,168.9 718	1,518.8 695	13,613.0 633
11. (10) As Percentage of (4)	(20.4)	(26.4)	(23.8)	(35.2)	(62.5)	(57.0)	(51.4)	(56.2)	(54.8)	(107.9)	(57.1)
12. (10) As Percentage of (5)	(14.4)	(23.5)	(25.7)	(23.8)	(39.9)	(45.5)	(30.0)	(52.6)	(32.4)	(36.7)	(38.8)

Sources: These estimates of public debt, personal income and combined provincial-municipal revenue are from Statistics Canada Sources cited in earlier tables. Because of accounting differences the 1970 direct debt level for Newfoundland is not consistent with that accepted by Provincial officials. Hence, the per capita figure used in this Table ($1,281) is not equivalent to that set out in Table B-9, above. We use the Statistics Canada figure in this Table because of the need to secure an adequate interprovincial profile of public debt patterns.

The following appendices have been submitted as supplementary documents to the Commission's Report:

D. Real Property Assessment in Newfoundland

E. Real Property Tax Relief Programmes in Canadian Provinces

F. Aggregate Results of 1973 Citizen Attitude Survey

G. Recommendations of the Royal Commission on Taxation and Revenue of the City of St. John's, 1972

H. Statutes of British Columbia, Chapter 28 (Division 2, Regional Districts)

I. St. John's Representations on Matters of Special Interest

J. Provisions for Mandatory Assessment: *Assessment Act* (Nova Scotia, 1967); *Assessment Act*, as amended, (New Brunswick, 1966); and *Assessment Act* (Ontario, 1970). Excerpts indicating real property liable for taxation and tax exemptions

K. Scatter Diagrams: Per Capita Income Levels and Selected Municipal Fiscal Variables, Municipal Budgetary Sample, 1971

L. List of Unincorporated Communities in Newfoundland, 1971

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